

## **La incursión estratégica de China en Nepal Post-Monárquico: implicaciones para India**

China's strategic foray in the post- monarchy Nepal: implications for India

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**CHINA'S STRATEGIC FORAY IN THE POST-MONARCHY NEPAL: IMPLICATIONS FOR INDIA\***

**LA INCURSION ESTRATÉGICA DE CHINA EN NEPAL POST-MONÁRQUICO: IMPLICACIONES PARA INDIA**

**A INCURSÃO ESTRATÉGICA DA CHINA NO NEPAL PÓS-MONÁRQUICO: IMPLICAÇÕES PARA A ÍNDIA**

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**ABSTRACT**

Nepal had been surrounded by two major powers- India and China. India and Nepal had been sharing very historical and civilizational relations. With the signing of Indo-Nepal Peace and Friendship Treaty 1950, the first step in solidifying the multifaceted bilateral relations was taken. But soon, some anti-Indianness started growing and was further strengthened on account of South Asian geopolitics. India's South Asia in general and diplomatic manoeuvres towards Nepal in particular drifted Nepal away from its geostrategic and geopolitical calculus, which led to vacuum in Indo-Nepal relations. Meanwhile, China and India both have been competing for expanding their influence in South Asian countries. In order to find its geostrategic space, China has re-oriented its policy vis-à-vis Nepal in particular and for South Asia in general. Consequently, China has remained successful making it a strong partner unlike India. It has convinced Nepal to support, China's One Policy. In order to achieve its vested interests in Nepal, China has been making strong strategic foray. In this changing scenario, how China has been expanding its geostrategic foray in Nepal and how it would impact on Indian interests, remain the main focus of this paper.

*\* Research paper.*

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## KEY WORDS

India's South Asia Policy, Chinese South Asia Policy, Nepal's "One China" Policy, Chinese Geostrategic Foray in Nepal, Indian Concerns.

## RESUMEN

Nepal estaba rodeado por dos grandes potencias, India y China. India y Nepal habían estado compartiendo relaciones de civilización profundamente históricas. Con la firma del tratado de Paz y Amistad Indo-Nepalesa en 1950 se dio el primer paso en la consolidación de las relaciones bilaterales multifacéticas entre estos países. Sin embargo, pronto comenzó a crecer la anti-Indianidad que se fortificó a partir de las geopolíticas de Asia del Sur. La India de Asia del Sur derivó sus maniobras generales y diplomáticas hacia Nepal dejándolo por fuera de sus cálculos geoestratégicos y geopolíticos, lo que dejó un vacío en las relaciones Indo-Nepalesas. Mientras tanto, China e India habían estado compitiendo por expandir su influencia en los países del Sur de Asia. Para poder encontrar su espacio geoestratégico, China re-orientó su política respecto de Nepal en particular y Asia del Sur en general. Por consiguiente, China se mantuvo exitosa convirtiendo a Nepal en un fuerte aliado a pesar de India y convenció a Nepal de apoyar la política china *One Policy*. Para lograrlo invirtió intereses en Nepal, haciendo incursiones fuertes y estratégicas. En este escenario cambiante, analizar cómo China estuvo expandiendo su incursión geoestratégica en Nepal y cómo esto impacta en los intereses de India son los principales focos de esta investigación.

## PALABRAS CLAVES

Políticas Indias del Sur de Asia, Políticas Chinas del Sur de Asia, Política "Una sola China" de Nepal, Incursión Geoestratégica en Nepal de China, Intereses de India.

## RESUMO

O Nepal foi cercado por duas grandes potências, a Índia e a China. A Índia e o Nepal tinham compartilhado profundas relações históricas de civilização. Com a assinatura do Tratado de Paz e Amizade Indo - Nepal, em 1950, foi dado o primeiro passo para a consolidação das relações bilaterais

multifacetadas entre esses países. No entanto, logo começou a crescer a anti-indianidade, fortificada a partir da geopolítica estabelecida no Sul da Ásia. A Índia da Ásia do Sul levou as suas manobras diplomáticas para o Nepal, deixando-o fora de seus cálculos geoestratégico e geopolítico, o que gerou um vácuo nas relações indo-nepalesas. No entanto, a China e a Índia tinham competido para expandir suas influências nos países do Sul da Ásia. A fim de encontrar seu espaço geoestratégico, a China reorientou sua política em relação ao Nepal, em particular, e à Ásia do Sul, em geral. Dessa forma, a China manteve-se bem-sucedida, transformando o Nepal em forte aliado, apesar da Índia. Convenceu o Nepal a apoiar a política "China One Policy". Para alcançar este objetivo, investiu seus interesses no Nepal, fazendo incursões fortes e estratégicas. Nesse cenário de mudança, a análise da expansão da China, assim como a incursão geoestratégica no Nepal, e seus impactos na Índia são os principais focos de pesquisa.

## PALAVRAS-CHAVE

Políticas da Índia do Sul da Ásia, políticas chinesas da Ásia do Sul, política "uma só China" do Nepal, incursão geoestratégica no Nepal da China, interesses da Índia.

## INTRODUCTION

China and Nepal are bounded together by a long history of cultural and social relationships established through Buddhism in the middle of the seventh century A.D (Kant, 1976). China promoted these ties further through cultural interactions with Nepal to further strengthen their bilateral relationship. Nepal has also been historically, culturally, economically and politically close to India. However, the revolution of 1950 in Nepal, which resulted in the overthrow of pro-India Rana Dynasty, enhanced the possibility of establishing a diplomatic relationship with China. Consequently, both the countries established diplomatic relationship on 1 August, 1955 (Nayak, 2014). Since then, China has been providing significant contribution to Nepal in development fields like Infrastructure building, establishing of the industry, education, health, sports etc. In response, Nepal upholds the 'One China' Policy and committed not to allow Nepalese territory against China (Kumar, 2011).

Chinese relationship with Nepal is said to be made U-turn when Maoists unexpectedly won the CA (Constituent Assembly) election in 2008. The ideological linkage between Maoist of Nepal and China and their enthusiasm to neutralize India's influence have made them an apparent choice for engagement. So, China's foreign policy towards Nepal has undergone a major paradigm shift (Samaranayake, 2012). The Chinese government gets strongly engaged in gaining strong strategic foothold by providing huge economic packages, diplomatic and security offers, and development projects in an attempt to impact policy-making.

Such China's engagement and influence has now increased both in geo-political and geo-strategic terms. This engagement has attained great intensity in the recent years and present Nepal have been providing numerous opportunities to expand ties with China. No doubt, India and Nepal are sharing more close economic political and cultural relations established through various agreements and treaties particularly the treaty of Peace and Friendship 1950 (Dwivedi, 2009).

However, in recent years, the Nepal is strongly developing its strategic relationship with China by making greater inclination towards it. Indeed, Sino-Nepal relations have been moving forward in a rather organic and irreversible manner. Thus, it is critically important for India to balance China's rising power in Nepal. By not doing so, India's position and its security interest will be undermined which would also have serious ramifications for its role as a regional power.

## 1. INDIA'S SOUTH ASIAN POLICY: NEIGHBOURLY PERCEPTIONS

India occupies a unique position in the South Asian region. By the virtue of its size, location and economic potential, India assumes a natural leadership role in the region. It has remained a predominant power in South Asia virtually in all dimensions after its independence to re-order its South Asian neighborhood. The economic potential and military capabilities of India have made the country a primary regional force in South Asia (Chakravarty, 2014). It has helped it not only to redefine its self-image but also to adopt a new political role both internationally and within its immediate and extended neighbourhood. India

has given a significant push to foster connectivity and promoted mutual confidence in multiple areas, including trade and investment within the South Asian region. It has taken several steps in providing market access to its neighbours which helps in regional integration in a mutually beneficial manner (Kher, 2012). However, its engagements towards South Asia is not going well as far as its foreign policy is concerned (Haokip, 2011). Its policy towards South Asia has been criticized for being short-sighted and delinquent on certain counts.

The global powers, regarded India as the main facilitator for ensuing regional development and cohesion in South Asian and world affairs. They confer on it at the same time the special responsibility for the stability and protection of democracies and human rights in the South Asian region (Hamdani, 2013). However, the over-bearing presence of India with aspirations for global leadership has become a source of apprehensions for the smaller South Asian countries. South Asian countries are hijacked by the dilemma of comprehending India's perceived and actual role as hegemony among the smaller South Asian countries. Thus, India has been criticized by smaller South Asian countries on many fronts. Its policy of regional economic cooperation is viewed by regional states as a mechanism of ensuring the economic empowerment of India at their expense (Das, 1996). South Asian states fear that India would emerge as the dominating factor in the region that will lead to their greater dependence on India.

The policy of entering into win-win arrangements with south Asian countries has remained a major plank of India's neighbourhood policy. India has entered into various bilateral agreements with her South Asian neighbours.<sup>1</sup> While favouring a bilateral dialogue for addressing some concerns, the neighbours have been demanding a multilateral regional approach. India

1. "India & her Neighbours: Revisiting Relations with Nepal, Bhutan, Myanmar, Sri Lanka, Maldives and Bangladesh." *Voice of India*, July 04, 2010. Retrieved from <http://voiceofindia.com/features/india-her-neighbours-revisiting-relations-with-nepal-bhutan-myanmar-sri-lanka-maldives-and-bangladesh/7087#commnets>

doubts that the neighbours would gang up against her and would demand unrealistic concessions in a multilateral stance. On the other hand, the neighbours suspect that India wants to take undue advantage of the weak bargaining capacity of each state in a bilateral dialogue. They view Indian bilateralism as an instrument of coercive diplomacy and Indian hegemony. The most obvious example of this perception are fears expressed by South Asian neighbours against India's hegemonic aspirations in the Indira Doctrine. The policy of providing unilateral concession to South Asian neighbours through Indira Doctrine has been described by neighbours as a Bharti Plan to seize the neighbour peacefully (Munshi, 2012).

India's policies with regard to the liberation movement in Bangladesh in 1971, the ethnic crisis in Sri Lanka in 1987 and the attempted military coup in Maldives in 1988 has been perceived as India's hegemonic authority in region (Mitra, 2006). The role played by India in the emergence of Bangladesh has been viewed even today as a vindication of the India's regional hegemonic designs. India is also accused of using the Indo-Sri Lanka Accord of 1987 to assert its military potential in the region (Hargreaves et al., 2011). The accord was to resolve the confrontation between the Tamil and Sinhalese in Sri Lanka through diplomatic negotiations. The option of military assistance used by India was the contingency clause having minimum chances of use. In November 1988, the Indian military response in Maldives would have perhaps not invited much attention, if it had not happened immediately after India's military involvement in Sri Lanka (Hagerty, 2005). Thus, it also reinforces the negative perceptions about India power.

In the recent years, India has not only allowed but in fact aligned with extra-regional powers to address regional issues, but the regional perceptions fail to take cognizance of these developments. The mishandling of these power variables and convulsion of perceptual constructs has resulted in a situation where India fears to work out its leadership and neighbours attempting to counter its hegemony. Thus, wise and judicious policy towards its immediate neighbourhood is need of the hour to focus on the essential tasks of stability, growth and

development, which is a common challenge for the entire South Asian region.

## 2. CHINA'S SOUTH ASIAN POLICY

China is very integral part of South Asian countries as it shares common borders with four of the seven South Asian countries. Therefore, being a close neighbor, it has emerged as one of the largest economic and trading partners for the South Asian countries. China's has been playing incremental political, strategic and economic role in South Asian region. It always emphasized on how the smaller South Asian region has its own security, diplomatic and economic interests with China. China has indeed, followed a non-interventionist policy over the years and has maintained balance within the South Asian region by acting as a facilitator to small South Asian countries (Pang, 2008). It has resolved most of its border disputes with other countries. It has greatly helping the South Asian countries in their economic development by providing aid, assistance, loans, and huge investments and trade facilities. However, China has been building its relationship with smaller South Asian countries for the reason of seeking greater strategic influence in the region and to marginalize Indian influence. Its economic growth model for the South Asian countries is directed against the influence of India in the region thereby minimizing Indian influence on their decision making (Bukhari & Bakht, 2013). It emphasis on the smaller South Asian states to follow an 'independent' policy which is also meant to marginalize Indian influence in South Asia. Therefore, on the one side China is developing the relationship with the smaller South Asian countries while on the other side strongly marginalizing the Indian influence.

## 3. CHINA'S ASSERTIVE STRATEGIC POSTURE TOWARDS SOUTH ASIA

China has been expanding its geopolitical, geostrategic and geo-economic footprints in the South Asian region. It has steadily been spreading its outreach into South Asia by assuring economic, military and diplomatic support to smaller South Asian countries which has led to dynamic shift in the region from India's purported "near abroad" into China's own backyard. It's rising profile in South Asia and expanding sphere of regional influence

with 'String of Pearls' eventually undermine India pre-eminence and potentially become an economic and security threat to Indian establishment.

China's South Asian assertiveness gained momentum in the late 1990s. Since then, it has made huge investments and established trade links with South Asia's smaller economies like Bangladesh, Nepal, Pakistan, and Sri Lanka to gain a strategic grip and to build diplomatic contours in the region. China has increased financial flows in the form of loans and aid to the region and has overtaken traditional donors to South Asian countries such as Pakistan, Sri Lanka and Bangladesh (Christensen, 2011). It has surpassed India as a major financier of projects like ports, railways, highways, bridges, airports and power plants in most small South Asian countries.

In recent years, China is strongly developing its trade relations with South Asian nations. Its trade with South Asian countries— those in the SAARC (South Asian Association for Regional Cooperation) in 2012 amounted to US\$ 25 billion compared to India as US\$17 billion (Kelegama, 2014). China currently emerged as the largest trading partner of India, Pakistan and Bangladesh, and the second largest trading partner of Sri Lanka and Nepal. China plans to work with South Asian countries to increase bilateral trade to US\$150 billion (Liu, 2014). Clearly, such trading power indicates that China's has more trading complementarities with the South Asian region than India.

Along with strongly developed trade relations, China is making massive investment in the infrastructural development, socio-economic needs, and energy production of Bangladesh, Nepal, Pakistan, and Sri Lanka. Its investments in South Asia are US\$30 billion.<sup>2</sup> No doubt, China still lags behind Indian investment in most of the Indian neighbours but during the last three years, Chinese investment rate has grown rapidly in some South Asian countries such as Pakistan, Sri Lanka, Bangladesh and Nepal. If Hong Kong FDI is included, China's total FDI in the region comes close to that of

India (Kelegama, 2014). Thus, given China's strong trading and investment foothold, and the relatively low labour costs compared to East Asia, the SAARC region is in a position to attract more Chinese FDI in the coming years. Therefore, Chinese FDI may well overtake that of India. Such steps of building up the economic integration and connectivity in the region increase its leverage in the region.

In keeping with its economic expansion, China has also deepened its strategic influence in the region, especially with India's immediate neighbours – Bangladesh, Pakistan, Sri Lanka and Nepal. It is strongly developing its strategic partnership with Pakistan. It has never put an end to its shipment of arms to Pakistan. China heavily invested on the construction of a deep-sea port in Gwadar in Pakistan along the Arabian Sea coast (Niazi, 2015). Pakistan's strategic significance is priceless for China as it has long repudiated Indian admittance to Western and Central Asian nations, and at the same time cobbled the highway through the Karakorum for Beijing's direct access to Eurasia. Above all, it has tied down 500,000 to 700,000 Indian troops in the Kashmir Valley for the past 15 years (Niazi, 2005). By keeping hundreds of thousands of Indian troops engaged in Kashmir, Pakistan indirectly helps ease India's challenge to China's defences on their disputed border. More importantly, Pakistan emboldens the region's smaller economies to seek Chinese patronage, which hurts India's stature in the region.

Bangladesh is very important for China as it acts as a doorway into India's turbulent north-eastern region, including the Indian state of Arunachal Pradesh, to which China lays territorial claims. More importantly for China, Bangladesh is believed to be causing a seismic demographic shift in another north-eastern state, Assam, where Indian leaders claim some 20 million Bangladeshis have moved in (Shamshad, 2012). Indian officials fear the emergence of Assam as the second Muslim-majority state within the Indian union, after the state of Jammu and Kashmir. Above all, China prizes Bangladesh for its immense natural gas reserves (60 trillion cubic feet).<sup>3</sup> Bangladesh's

2. "India and China slugging it out in South Asia." *Japan Times*, December 21, 2014. Retrieved from <http://www.japantimes.co.jp/opinion/2014/12/21/commentary/world-commentary/india-china-slugging-south-asia/#.VMSC3tKUdvk>

3. *China Bangladesh Relations Enduring Links Economics Essay*. *Uk Essays*. Retrieved from <http://www.ukessays.com/essays/economics/china-bangladesh-relations-enduring-links-economics-essay.php>

geographic proximity with Myanmar makes these reserves accessible to China. India's access to Myanmar's gas reserves also hinges on Dhaka's willingness to allow a passage for laying a gas pipeline—a fact not lost on Beijing. In the same way, Beijing cherishes exclusive strategic relations with Sri Lanka, which occupies a strategically important heft of the Indian Ocean stretching from the Middle East to Southeast Asia. China has offered Sri Lankan nuclear power plants of its own to meet their energy needs.

In China's South Asia Policy, Nepal forms the entry point for China into the south Asian region. It occupies a unique geo-strategic position for China where real politics is seen to be at constant play between the two Asian giants to increase their influences. Moreover, being the gateway to restive Tibetan region and hosting of sizeable strong Tibetan exile community Nepal holds the important location for China. Thus, from the standpoint of security, China gets greatly involved in Nepal by gaining a stronger foothold in economic, political and military aspects. It is relentlessly getting involved in Nepal by increasing trade relations, investing in strategic sections, military and hydropower development. Reciprocally, at the same moment, Nepal also responds with the sense of urgency by upholding the "One China" policy and gets aligned with Beijing on the equally sensitive issue of Tibet, while proclaiming that Tibet is an integral part of China (Xinhua, 2014). More importantly Nepal speaks with one voice for China's entry into the SAARC—to the deep aggravation of New Delhi (Dwivedi, 2009).

#### **4. CHINA AND NEPAL: BEGINNING OF STRATEGIC PARTNERSHIP**

China and Nepal are close neighbours on the two sides of the Himalayan Mountains sharing deep cultural, economic and people to people contacts. As shown by historical records China and Nepal have a long history of friendly relations dating back to the middle of the 17th century (Rose, 1971). However, the conflicts had often arisen between the two countries because of China's claim of suzerainty over Nepal. These conflicts time and again impinge upon their bilateral cooperation and continued till early 20th century in which Mao and the Communist's in the 1940s did plan to build a Himalayan Federation of

Mongoloid People of Tibet, Nepal, Sikkim, Bhutan and India's North East Front. However, after the formation of the People's Republic of China under the CCP (China's Communist Party) in 1949, the overthrown of Pro-India Rana dynasty and the subsequent takeover of Tibet in 1951, it becomes essential for both the countries to develop bilateral cooperation (Sutter, 2013).

China and Nepal established diplomatic relations in 1955 with the signing of "Joint Communiqué" in Kathmandu, Nepal (Upadhyay, 2012). Both get unequivocally abide by the ideals of Panchsheel, the Five Principles of Peaceful Coexistence. Nepal committed to holding the "One China" Policy and will never allow her territory to be used for anti-China activities. It recognized Tibet and Taiwan as inalienable parts of the People's Republic of China. Both resolved border issue in 1961, and have been started carrying out the joint inspection of the border after ten years on regular intervals. The process of border demarcation work was also amicably completed in the 1960s and there remains no lone border issue pending to be set on between the two countries (Shrestha, 2014).

Since, the establishments of diplomatic relations high-level visits have been exchanged between the two countries. The exchanges of these bilateral visits have been consolidating mutually beneficial relations between the two countries and have deepened bilateral cooperation from the political to cultural, economic and strategic aspects. The visits of Deng Xiaoping's visit in 1978 and Premier Zhao Ziyang's visit to Nepal in 1981 provided boost to China-Nepal bilateral relationship (Ghoble, 1986). Further, in 1996 and 2000, the subsequent visits by Chinese president H.E. Mr. Jiang Zemin and Premier H.E. Znu Rong respectively have enriched the warm relations between the two countries. Further, in July 2002 state visit from the former King and Queen of Nepal to China has immensely contributed to further nurturing China-Nepal bilateral relationship. In 2003, China has organized a festival on the occasion of 50th anniversary of establishment of the diplomatic relation between both the countries (Upadhyay, 2012).

Both the countries have maintained close coordination and cooperation at the international

fora as well. Nepal had always taken a leading role in supporting China's admission to United Nations and all other international agencies. It has consistently voted in favour of China in the UN human rights agency sessions. Nepal articulates that only with the meaningful role of China, the acts and decisions of the UN achieves greater support from the world community (Sutter, 2013). For such support at the international fora, China had deeply appreciated Nepal and thereby supports Nepal's efforts to safeguard national sovereignty and independence. Thus, the joint cooperation in international forums, including the United Nations has greatly increased the mutual relationship of both the countries.

After the establishment of diplomatic relations China gets constantly involved in Nepal to increase its sphere of influence by expanding greater economic linkages. It began its economic cooperation program to Nepal in 1956. In 1960 both the countries signed the Treaty of Peace and Friendship (Singh, 2009). After the signing of the treaty, China has remained pre-emptive to support and aid Nepal. It has provided Nepal with much developmental aid, mostly in the form of infrastructural build-up, bridges, roads and highways, hydropower project, sports facilities etc. It geared China's long-term goals of greater connectivity with Nepal. In 1962 China provided US \$ 3.5 million economic assistance to Nepal for the construction of the Kathmandu-Kodari road (Arniko highway) without any conditions or privileges (Adhikari, 2010). Besides, it provided economic assistance for the construction of other major roads and highways such as the Kathmandu-Bhaktapur highway, the Kathmandu-Pokhara and the Pokhara-Surkhet highway. It also provided aid for building of numerous small scale and medium sized projects and industries such as the Bansbari Leather and Shoe factory (1965), a Brick and Kiln factory (1965) etc. During this period, China has also been started its involvement in tapping Nepal's hydropower capacities while constructing Sunkoshi Hydropower project in 1972 and a small dam across the Seti River near Pokhara in 1976 (Lama, 2013). From mid-1990s, the Chinese Government started providing the grants and assistance to Nepalese Government under the Economic and Technical Cooperation programme. In 1999, for the implementation of mutually acceptable development projects both

the countries have agreed to utilize a concessional loan of US\$ 200 million. In 2001 agreement was signed for the construction of Syaprubesi Kerung Road with Chinese assistance. Other important agreements were also signed for the construction of Civil Servant hospital, Poly-technique Institute, National Ayurvedic Hospital and an Outer Ring Road in Kathmandu. In 2006, China offered a grant of Yuan 100 million (US\$ 13 million) and concessional loan of Yuan 200 million (US\$ 26 million) (Lama, 2013).

Although, the trade relations between the two countries were largely conducted through Tibet and Hong Kong. However, to improve the trade relations the trade routes were added with six more points along the China-Nepal border. These points are Kodari Nyalam; Rasua Kerung; Yari (Humla) Purang; Olangchunggola Riyo; Kimathanka Riwo, and Nechung (Mustang) Legze (Pandey, 2005). To establish the framework for economic and trade cooperation both the countries established Inter-Governmental Economic and Trade Committee in October 1982. It has become a main forum for discussion on China-Nepal bilateral economic and technical cooperation. Its regular meetings have become coordinated forum on economic and technical assistance, bilateral trade and tourism between the two countries. With effective efforts, it encouraged trade relations between the Tibet Autonomous Region (TAR) and Nepal which increased remarkably from 1983-89 (Duchesne, 2012).

The adoption of liberal economic policies by both the countries also largely contributed in trade relations between the two countries. After the adoption of liberal policies, in 1992 a five-year trade agreement was concluded, during Nepalese Prime Minister G.P. Koirala's visit to China. It has brought the two countries more close in economic trade relations. Furthermore, the NCCCI (Nepal - China Chamber of Commerce and Industry) was established in 1999 (Ranade, 2010). Since its foundation, it has been striving to stimulate trade and boost economic relations between two countries. As a consequence of all the above efforts and initiatives, the trade relations has been significantly increased between the two countries.

China has expanded its relationship with Nepal in security sector. In 1980's it entered into defence collaboration with Nepal. Nepal began importing

Chinese weaponry and tried to establish extensive military cooperation. In June 1992, China offered Nepal anti-aircraft guns worth US\$ 70 million (Ranade, 2010). Though, Nepal does not accept the offer, but it paved the way for furthering military relationship. Consequently, the next year Nepal sent a military delegation to China, and the then Defence Minister Chi Haotian of China described it as a major event in the history of contacts between the armed forces of the two countries. In mid-1994, Nepal's IGP (Inspector General of Police) visited China where he received substantial military assistance (Ranade, 2010).

During the period between 1996–2006, when the United States, United Kingdom and India refused to supply arms to Nepal, China responded by dispatching arms to Nepal (Adhikari, 2012).

Chinese defence supplies to Nepal and military exchanges were much more escalated appreciably after the visit of the Royal Nepal Army Chief to Beijing in 1999. These defence exchanges and major deals signed for the purchase of ammunition and military equipment between the two countries makes Nepal entirely dependent on China for military supplies. Consequently, when Nepal's weapons procurement policy was enunciated in June 2005 China was identified as the only country which continually supplies arms and ammunition to Nepal thereby ousting India from the position of solitary supplier of ammunition to Nepal (Ranade, 2010). China has been providing training to Nepalese army since 1998. The Nepal Army has sent officers and soldiers to study in Chinese military universities (Campbell, et al., 2012). In the academic year of 2006/2007 in particular, 21 officers and soldiers of the Nepal Army went to China for training. China has also sent military officers to participate in the adventure trainings organized by the Nepal Army since 2002.<sup>4</sup>

Since ancient times, China and Nepal have been culturally linked to each other. Various Buddhist scholars of both countries, had visited to each other's countries. They have profoundly impacted the socio-cultural lives of the Nepalese and Chinese. In order to sustain such age-old and deep-rooted cultural

relationship many cultural events, activities and programmes were held since the establishment of diplomatic relations. Both the countries have signed an agreement on Cultural Exchange in 1964 and which was later revised in December 1999.<sup>5</sup> It gave a push to cultural programmes organized in each other's territories and to the exchange of visits between the two countries. For example, since 2003, China is regularly organizing cultural fairs in Kathmandu. Chinese Embassy in Kathmandu organized China Festival in Kathmandu in 2005 on the occasion of the 50th anniversary of the establishment of diplomatic relations. Confucius Institute was inaugurated at the premises of the Kathmandu University on 13 June 2007 at the joint collaboration of the Kathmandu University and Hebei University of Economics & Business.<sup>6</sup> Furthermore, various shows and activities have been organized in each other's territories to enhance cultural relations. In order to enhance people to people contacts emphasis was also given on promoting tourism. Both the countries revised the Memorandum of Understanding on Tourism Cooperation in 2001 and Nepal was included in the list of the tourist destination for Chinese travelers.<sup>7</sup> The two countries agreed for the visa-free, for the bearers of diplomatic and official passports from each other's countries. Chinese Yuan was made convertible for tourists and businessmen in Nepal. Later on, the two countries signed "Air Service Agreement", according to which, Air China opened a direct air link between China and Nepal in 2004.<sup>8</sup> In addition, the China Southern Airline has also started operating air service between Guangzhou and Kathmandu since February, 2007. Likewise, the Nepal Airline is operating air service between Kathmandu and Shanghai, Kathmandu and Hongkong.<sup>9</sup>

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9. *Nepal-China relations: Soaring to new heights*. Nepal China Society. Retrieved from <http://nepalchinasociety.org.np/nepal-china-relations-soaring-to-new-heights>

4. *Embassy of China, Kathmandu Nepal*. (2007). *Nepal-China Relations*. Retrieved from <http://np.chineseembassy.org/eng/ChinaNepal/t362330.htm>

In the field of education, both the countries have come closer to each other. China provided necessary help for the development of Nepal's education. It has been providing 100 scholarships annually to Nepalese students to study in China. Many Nepalese have found China as an attractive destination for higher studies, particularly in medical sciences (Singh, 2009). This has helped Nepal to meet the ever increasing demand for technical manpower in the country. Nepal always appreciated such Chinese assistance in the field of education which has contributed to the promotion of understanding and appreciation of each other's culture and tradition. However, the US intervention in Tibet and criticism by international community due to the Tiananmen massacres engage China in its repercussions. It could not give China enough scope for the full development of relationship with Nepal. Thus, during this period China-Nepal engagements did not reach its zenith. At least till 2005, Beijing remained only apprehensive of the democratic forces. A major reason for this can be that under a democratic atmosphere in Nepal, the Tibetans could engage in activities which could be inimical to China in Tibet. Moreover, during this period Chinese policies towards Nepal were not rigorous to prevent Nepal's engagement with India. It did not take such intense strategic measures that undermine the Indian security interests. However, after China's Rise, the coming of Maoists in power in Nepal have made an apparent choice for China to re-emphasize its policies towards Nepal? The re-accentuation of its policies has led to greater engagement of China in Nepal's political, economic and strategic domains.

## 5. RATIONALE FOR CHINA'S STRATEGIC DEPTH IN NEPAL

China is making strong strategic foothold in Nepal. It is making serious engagement in Nepal's economic, political, and strategic sections which were previously enjoyed by India. Such burgeoning geopolitical and geostrategic Chinese clout in Nepal has been raising foremost concerns in India in the middle of plenitude of challenges and tensions. India is lagging behind to prevent the growing strategic influence of China. No doubt, India's relations with Nepal are traditional and historical with intimate and symbiotic bond unlike any adjoining neighbours. However, the relations

have seen many pitfalls as the very bilateral problems (like unequal treaties, porous border, and other contentious issues) are keeping them far away to develop strong bilateral cooperation with Nepal (Trivedi, 2008). No doubt, at various times assurances has been made from both the sides to remove the bilateral impediments. However, the consistent efforts at the higher levels to bridge the trust gap between the two remained unfruitful because any Indian interference have often been seen by Nepalese as detrimental to their national interest (Das, 2008). The Nepalese perception of India's South Asian Policy, being hegemonic, interfering in Nepal's internal affairs is also keeping them far away. In addition, India's overall policy stance towards Nepal, confused and diluted by the interests of various lobbies is also creating gaps between India and Nepal.

Along with India's perceived and vague South Asian policy stance towards Nepal, the bilateral aggravation that deeply interrupts Indo-Nepal bilateral relationship has provided adequate room for rising China to increase its strategic influence in Nepal by increasingly investing in economic and strategic sectors (like hydro-power development, military development, roads, railways, airports etc.). Moreover, the rising economic power of China and its South Asian policy of countering India's South Asian policy is also providing room for China to enhance its strategic clout in Nepal. This all leads to deepening of China's economic, political and strategic trading and investment footage in Nepal. China is adopting in-depth strategies to undercut and undermine India's relationships with Nepal and diminishes its strategic stature in Nepal. It has impeded Indian diplomacy towards Nepal with which it has historical relations.

## 6. POST-MONARCHY NEPAL: EXPANDING CHINA'S STRATEGIC FORAY

The monarchy was established in Nepal in 1768 by King Prithvi Narayan Shah, a Gorkhali monarch. It existed for 240 years. Since its establishment many attempts have been made to relegate it to secondary position. The beginning was made when Jung Bahadur became the hereditary Prime Ministers of Nepal from 1843 to 1951, reducing the role of the Shah monarch to that of a figurehead (Tripathi, 2012). However,

during the mid-twentieth century began an era of moves towards the democratization of Nepal. Starting from the ending of Rana rule in 1950, the democratic forces started getting upper edge. Further, the Janadan Andolan in 1990, Nepalese civil war started in 1996 and the royal massacre in 2001, destabilized the situation for Nepalese monarchy. Later on the unifying movement of Maoist insurgents and pro-democracy activists against the imposition of direct rule by king Gyanendra and the subsequent Comprehensive Peace Accord in 2006 suspended the monarchical power. And lastly after the elections held in 2008, constituent assembly formally abolished the monarchy and declared Nepal as Federal Democratic Republic of Nepal (Nayak, 2014).

After the signing of CPA (Comprehensive Peace Agreement) between the political parties and the Maoists in 2006, Nepal's politics shown a sudden inclination towards China. More importantly, when Maoist unexpectedly won in the constituent assembly election in April, 2008, China's foreign policy towards Nepal undergone a major shift (Singh, 2012). The ideological linkage between Maoist of Nepal and China and their enthusiasm to neutralize India's influence have made them an apparent choice for engagement. In this state of affairs the relationship increased, in which China provided every necessary assistance to Nepal. Beijing started increasingly providing economic and military aid to Nepal to increase its strategic influence. It started avoiding any external interference in Nepal inimical to its interests and therefore took assurance from Maoist-led government of prohibiting anti-China activities from the soil of Nepal and adopt 'One China policy' and take strong action towards the Tibetan refugees and grant special facilities for Chinese investments in strategic section. On November 4, 2008 Liu Hong, International Bureau Chief of the Chinese Communist Party stated that "*China will not tolerate any meddling from any other country in the internal affairs of Nepal-our traditional and ancient neighbor*" (Nayak, 2009). In the next year Vice Minister of International Department of the Central Committee of Communist Party of China Liu Hongcai said "*we oppose any move to interfere in the internal affairs of Nepal by any force*" (Ranade, 2011).

Such Chinese policy stance with economic and strategic encroachment created concerns for India. Unluckily for India, Nepal's internal

political situation and continued environment of distrust acts as a barrier for any strong mutual cooperation. It continues to be wary of Beijing's real intentions of fulfilling Beijing's bigger and long-term ambition of using Nepal as entry point to South Asia or more precisely a way to undermine Indian security in the region with its military forwardness which created anxieties in the Indian political establishment.

China-Nepal military to military cooperation was established in the mid-1990s when China had offered military hardware to Nepal in 1988, much to the displeasure of India (Pant, 2011). After the visit of the Royal Nepal Army chief to Beijing in 1999 the defence and military exchanges between the two countries have been magnified. For acquiring weapons, Nepal started becoming entirely dependent on China for military purchases, which was earlier enjoyed by India under the 1950 Treaty and 1965 agreement (Ranade, 2010).

The defence cooperation has undergone a dramatic shift after the Maoists won the Constituent Assembly Elections of 2008. Both the countries started exchanging many high-level defence visits to increase defence cooperation. In 2007, during the visit of Nepalese defence Minister Ram Bahadur Thapa to China, Nepal received a military aid package of USD 1.3 million. With the coming of Maoists to power the military aid to Nepal increased from US\$ 1.3 million in 2007 to US\$ 2.6 million in 2008 (Ranade, 2010). This bigger increase of military aid in a short period of time indicated that there was rising defence cooperation between the two countries whereby China tried to make Nepal entirely dependent on its military assistance. In 2008-2009 during the visits of twelve high levels Chinese delegation plus two military teams to Nepal, China provided substantial military aid to Nepal for its military development. During the visit of General Chen Bingde to Nepal in 2012, China increased the non-lethal military aid of US \$ 2.6 million to double digit by providing Nepal with US \$ 19.8 million in "non-lethal" military aid.<sup>10</sup> It

10. "China, Nepal agrees to deepen military ties." *The Hindu*, July 25, 2013. Retrieved from <http://www.thehindu.com/news/international/world/china-nepal-agree-to-deepen-military-ties/article4951454.ece>

was a strategic move by Beijing as New Delhi was the biggest provider of military assistance to Nepal, but it stopped supplying lethal military aid since former king Gyanendra Shah's royal takeover in 2005 (Samaranayake, 2014 ). In July 2014, during the ten-day trip to China by Nepalese Army Chief Gen. Gaurav Shumsher Rana, Nepal army received US \$8 million military assistance package mostly to focus on border security (Sehgal, 2014). During the visit Lt Gen Wang of China also assured more support and assistance in the next years to come and informed Gen Rana that, China plans to provide approximately around Rs 500 million aid to the Nepal Army in 2015.<sup>11</sup> Although it is little by Chinese standards, it is both figurative and significant from Indian perspective. The People's Liberation Army (PLA) also has assured the Nepalese Chief for setting off two mobile hospitals for the Nepalese Army worth 50 million Yuan Renminbi shortly.

Chinese companies particularly ZTE (Zhong Xing Telecommunication Equipment) and Huawei associated with the PLA are making major inroads in Nepal. Huawei set up the mobile telephone networks in Kathmandu and other cities while ZTE secured an over US \$ 50 million contract for advancement of Nepal Telecom's nationwide mobile phone capacity (Joseph, 2011). China has also been making various covert maneuvers to extend its leverage over Nepal's army. For instance, the Maoists' government's move of sacking the Chief of the Nepalese Army in 2009 and replace him with a 'sympathetic general' was an indirect move by Beijing to extend its influence on Nepal's military. It also supported the Maoists' proposal to integrate approximately 19,000 Maoist guerrillas with the Nepal Army . Thus, this shows that China is making every effort particularly the military aid to reduce Nepal's military dependence on India. In the post-monarchy, China has been making every effort to maintain economic engagement with Nepal. It has continually assured economic and technological help to Nepal and funding almost every project such as military, development of

roads, telecommunication, and infrastructure and food supplies to hydropower development.<sup>12</sup>

Over the years, it has been continuously increasing its aid to Nepal. In 2009, even after the cancellation of Prachanda's second visit to China, it had announced a doubling amount of aid to Nepal amounting to \$ US 21.94 million (Bhattacharya, 2009). During Prime Minister Wen Jiabao's visit to Kathmandu on January 14, 2012, it has pledged US\$ 140 million assistance to Nepal. China has also provided economic package to Nepal worth US \$1.63 million of election-related material for the Himalayan state's Constituent Assembly elections which was held on November 19 2013, which convinced the Nepalese people that China also supports Nepal's democratic process.<sup>13</sup>

The trade relations between China and Nepal have also increased while the trade relations between India and Nepal show a decreasing trend. From the last few years bilateral trade between China and Nepal increased by 61 percent while trade percentage between India and Nepal show a decreasing trend. For instance, India accounted for 53 percent of Nepal's trade in 2014, down from 60 percent in 2006. At present the trade volume between China and Nepal currently stands at more than \$ US 2 billion. No doubt, the trade favours China as China is selling goods more than Nepal is exporting to China. However, in order to bridge this trade deficit for further trade increase, China has agreed to provide duty-free access to 497 Nepali goods in the Chinese market (Bhattacharya, 2009). China has also showed positive support to extend support for infrastructure development of the impoverished landlocked country, which may run into more than US \$ 5 billion. During the last decade China's massive investments in Nepal has seen a great change which approximately doubled between 2007 and

11. "Chinese Army pledges Rs 500m aid to NA." *Ekantipur*, February 21, 2014. Retrieved from <http://www.ekantipur.com/2014/02/21/top-story/chinese-army-pledges-rs-500m-aid-to-na/385693.html>

12. "China wants Prachanda to stay in Nepal." *Rediff*, May 04, 2009. Retrieved from <http://www.rediff.com/news/column/guest-b-raman-china-wants-prachanda-to-stay-in-nepal/20090504.htm>

13. "China hands over election material to Nepal." *South Asian Monitor*, October 6, 2013. Retrieved from <http://southasianmonitor.org/detail.php?type=vign&nid=6136>

2011 (Sehgal, 2014). As per the Nepal's Department of Industry China's investment pledges \$ 73 million in 2014 which outstripped India's \$ 65 million for the first time. It has also been projected that they may do the same also in 2015. Besides, China has also been making joint efforts to further deepen cooperation, by investing \$100 million in the construction of housing, hotels, restaurants and other sectors of the tourism industry in Nepal. As of July 2012, 428 projects under Chinese investment came to operation in Nepal with an investment of Rs 7860 million which helped create 26,651 jobs (Kochhar, 2013). In the last year China started a project in Kathmandu with the budget of 294.4 million USD for alleviating the critical water stress in the region, where 1 million urban dwellers receive piped water for only two hours every two days. The project is likely to be completed by 2015. All this shows the level of importance China has attached to its close door neighbor on the south. Even, though Beijing is still far behind New Delhi in terms of overall trade, aid and investment in Nepal, but faster rate of Chinese engagement will soon catch up Indian stance.

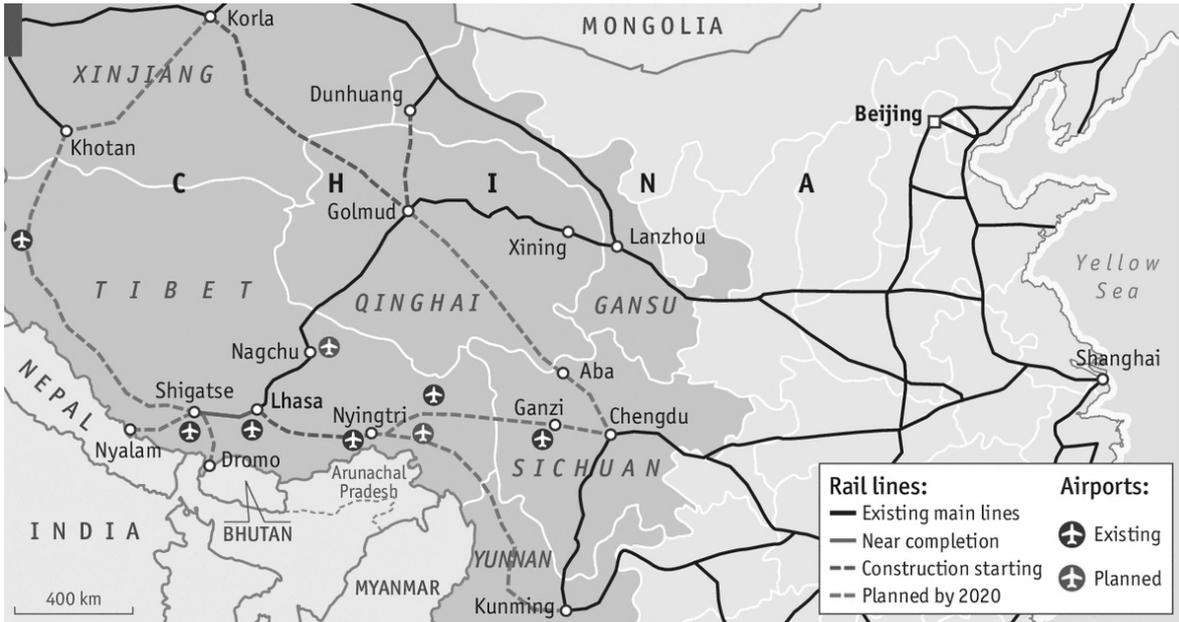
China and Nepal have been sharing a long border of 650 kms having 18 passes that act as means for bilateral trade. Providing boost to bilateral trade, China has accepted Nepal's proposal in April 2009 to open up two more custom points in addition to the existing five. It is also building a 65 km second road link, the Syafrubesi-Rasuwegadi, which is the shortest route from Tibet to Kathmandu with of about Rs. 460 million investments. The construction of a road link between Lhasa and Khasa, a border town located - 80 kilometres north of Kathmandu has also become functional (Jaiswal, 2014). Apart from that, Beijing is also setting up a new consulate in Pokhara (Nepal's second largest city). China has also pledged to construct an International Airport in Pokhara (the second largest city of Nepal), with five billion investments, dry ports and improvements of roads and rail networks (Lama, 2013). For increasing the greater economic linkages, there have been proposals for connecting the two countries with ten new roadways.

China is way ahead compared to India in developing of roads and railways in Nepal. The most crucial is the building of roads and railways in Nepal that link Nepal to Tibet Autonomous Region (TAR). In 2007-08, China began construction of railway Qinghai-Tibet Railway with an investment of \$ 3.7 billion that connected the Tibetan capital of Lhasa with the Nepalese border town of Khasa. In August 2008, six additional rail lines were proposed to connect to Qinghai-Tibet railway. More importantly the Lhasa-Shigatse segment, which was completed in August 2014 have added with two separate extension points, one with the Nepal border and the other with the borders of India and Bhutan.<sup>14</sup> According to the Global Times report, the railway will be extended to Bhutan and India by 2020. Therefore, the railway would undoubtedly change the current geopolitical scenario by connecting Nepal to China's wider national railway network. More surprisingly, China announced that in the 13th Five-Year Plan period (2016 to 2020) the construction of railway connecting Shigatse with Kyrirong in northern Nepal and with Yatung, in the Chumbi Valley -- located between Sikkim and Bhutan--will also be started. China has already made huge investment on it's a logical extension Kyrirong (landport) to make it the main link between Tibet and Kathmandu.<sup>15</sup> In addition, China also plans to construct a new crucial railway line in Tibet close to Arunachal Pradesh. The Chinese analysts itself have said that it would act as a "bargaining chip" with India.<sup>16</sup>

14. "China: India's strategic strangulation". *Canada Tibet*, September 30, 2010. Retrieved from <http://www.tibet.ca/en/library/wtn/10306>

15. "Why do the Chinese want a train to Sikkim?" *Rediff*, August 21, 2014. Retrieved from <http://www.rediff.com/news/special/defence-news-why-do-the-chinese-want-a-train-to-sikkim/20140821.htm>

16. "China inaugurates new Tibet rail link close to Sikkim." *The Economic Times*, August 15, 2014. Retrieved from [http://articles.economictimes.indiatimes.com/2014-08-15/news/52845915\\_1\\_railway-line-xigaze-qinghai-tibet-railway](http://articles.economictimes.indiatimes.com/2014-08-15/news/52845915_1_railway-line-xigaze-qinghai-tibet-railway)



Source: - "The Communist Party deepens Tibet's integration with the rest of the country." *The economist*, Jun 21, 2014. Retrieved from <http://www.economist.com/news/china/21604594>



Qinghai-Tibet railway

Source: - "Qinghai-Tibet railway". *China Daily*, March 12, 2010. Retrieved from [http://www.chinadaily.com.cn/Opinion/2010tibet/2010-03/12/content\\_9582688.htm](http://www.chinadaily.com.cn/Opinion/2010tibet/2010-03/12/content_9582688.htm)

The expansion of strategic infrastructure such as airport, railway and roads networks, bridges, dry ports and passes in Nepal provided ample evidence of China's growing strategic outreach in Nepal. Its railway and road infrastructures especially along the Indo-Nepal border will bring China very closer to Indian borders that will undermine Indian security. No doubt, India

has been reciprocating to the Chinese overtures by allocating worth Rs. 10.88 billion for the expansion of railway services in five places along the Indo-Nepal border. However, that needs to be translated into reality. In recent years, China also used cultural and language instruments by introducing various programmes to increase its footage in Nepal. Lots of cultural programs

have been conducted by China in Nepal to gain strategic leverage. It has been setting up Confucius Institutes in major cities and towns of Nepal (Paradise, 2009). These are China's non-profit public bodies intended to promote Chinese language and culture. It has also been building Chinese schools and study centers in politically sensitive border areas of Indo-Nepal border. The CSCs (China Study Centres) which started in 2000 as a benign China-supported informal civil society groups to promote cultural interaction are growing in membership. They have now become an effective tool to promote the Chinese perspective on key issues concerning Nepal. The proliferations of these centres (China Study Centres) across the Indo-Nepal border have increased in recent years which have generated a lot of apprehensions in India. Media sources have identified more than 33 such centers, most of which are located in close proximity along the Indo-Nepal border (Bhattacharya 2009). It has also been asserted that 22 monasteries have also been setup along the border areas with Bhutan in the Indian Territory (Arpi, 2015). These establishments provide Chinese language and culture classes and are often manned by

volunteers from China. While enabling greater access to information about Chinese social and economic development, these centers provide a convenient platform for the dissemination of Chinese policy towards South Asia and India's role therein. More importantly, these centers provide a valuable instrument for China for greater exploitation of anti-Indian feelings prevailing among the Nepalese in order to isolate and marginalize India's influence in Nepal.

China Radio International has also launched a local FM radio station in Kathmandu with the purpose of bringing Nepal closer to China. It has now more than 500 CRI listener's clubs and millions of listeners in the country (Jha, 2010). Smaller radio stations promoted by the Chinese have also come up in the Indo-Nepal border areas. Moreover, China has also established various schools in Nepal. In addition, various courses are offered in Chinese to the children in more than 70 schools throughout the Nepal to promote Chinese's studies. China has also been providing "volunteer" teachers to various schools in Nepal who give Chinese language lessons to Nepali students and exposure to Chinese culture.



China Study Centre at Indo-Nepal border

Source: -Bhalla, Abhishek. (November 26, 2012). Dragon act in Nepal a big worry for India. *Mail Online India*. Retrieved from <http://www.dailymail.co.uk/indiahome/indianews/article-2238874/Dragon-act-Nepal-big-worry-India.html>

It has been providing 100 scholarships every year for the Nepalese students which contribute to understanding of each other's tradition and culture (Sehgal, 2014). These are evidences of Chinese so-called "cultural exchange" initiatives and are part of the soft power component of China's involvement in Nepal that brings Nepal close to China against India and importantly undermines the Indian security establishment across the Indo-Nepal border. Thus, China's renewed interest in its southern neighbor is not entirely a quid pro quo.

The rapid economic rise has made necessary for China to seek more and more resources. More importantly, it is trying to marginalize the Indian collaboration in hydropower development of Nepal. If China has to develop water generations only for its use it will develop it in Tibet with fewer transmission costs. So, China has used South Asia policy to expand its control over energy sources of Nepal. As part of its policy, it has entered into power sector cooperation with Nepal to access Nepal's 83,000- megawatt hydropower potential<sup>17</sup>. Before Maoists triumph China was investing only in development of small water projects of Nepal. However, after coming of Maoists to power it is highly investing on the power development of Nepal to access Nepal's water resources. It has invested millions of dollars in Nepal's hydroelectricity projects. As part of promoting collaboration with Nepal in hydropower generation, China's provided Nepal a loan of \$125 million for Upper Trishuli 3 'A' and \$ 62 million for Upper Trishuli 3 'B' hydropower projects in 2008<sup>18</sup>.

Recently, China has signed a West Seti hydropower Project agreement worth of US\$1.8 billion to develop the 760 MW (Megawatt) of Nepal (Xinhua, 2014). This deal marks the China's huge entry into a lucrative sector in the Himalayan

nation's water and power that has been dominated by India for years. It comes at a time when several other major hydropower projects, mainly developed with Indian investment, have been hanging in limbo for various reasons, including protests by Maoists labeling it as "unfair share" of hydropower projects in Nepal. At the beginning of 2012, the Maoists burned the project office of the Upper Karnali Project (900MW), which was awarded to GMR of India<sup>19</sup>.

On the political front too China's influence is intensifying. Although, India has maintained direct influence in Nepalese polity due to its long historical, cultural and political engagement with Nepal. However, the coming of Maoists to power provided greater feasibility for China for enhancing its strategic engagement with Nepal. Now in the recent years for continuing such strategic engagement with great vigor Chinese strategy have established equidistance relations with the most important political parties to avoid criticism and cordially and mutually reinforce its policy directions with economic incentives. Thus, this Chinese influence in Geo-Political terms has led to greater Chinese geo-strategic leverage.

## 7. CONCERNS FOR INDIA

India's resentment against growing China's geostrategic foothold in Nepal is on rise as it has constantly spreading its sphere of influence in the Himalayan Kingdom by extending greater economic linkages and substantial military assistance. China is working for the promotion of trade and tourism, joint border management, development of hydropower projects, building infrastructure for greater connectivity. Such serious business to engage with Nepal poses a grave concern for India.

China has been slowly making the Himalayan nation its strong ally making greater economic depth. It is highly investing in strategic sectors and working to take over India's position by its investment, trade and aid policy (Sahoo, et al.,

17. "Nepal seek help from India, China to develop hydropower." *Business Standard*, August 26, 2013. Retrieved from [http://www.business-standard.com/article/pti-stories/nepal-seek-help-from-india-china-to-develop-hydropower-113082600778\\_1.html](http://www.business-standard.com/article/pti-stories/nepal-seek-help-from-india-china-to-develop-hydropower-113082600778_1.html)

18. *Nepal German Chamber of Commerce and Industry. (2008). China Provide Fund for Two Hydropower Projects. Retrieved from <http://www.ngcci.org/index.php?nav=resources&page=ecoglimpse&id=76>*

19. "Nepal Maoists burn copies of power accord with India." *Pravasi Mathrubumi*, September 12, 2014. Retrieved from <http://www.mathrubumi.com/english/news/world/nepal-maoists-burn-copies-of-power-accord-with-india-151731.html>

2013). As evident, from the growing Chinese investments in Nepal, its faster growth rate will leave India behind in near future. As a result, there will occur reduction of India's investments which will reduce India's income from Nepal. China is also making every effort to emerge as the largest trading partner of Nepal. During the last three years, Chinese trade with Nepal has increased by 61 percent<sup>20</sup> and has offered zero-tariff treatment in 2010 to 60 per cent products of Nepal.<sup>21</sup> So, such measures will undermine the India's position as the largest trading partner of Nepal. Accordingly, increased trade relations will increase Chinese exports to Nepal whereby cheaper Chinese goods will provide a stiff competition to Indian goods. Further, China's removing of trade deficits with Nepal will reduce India's imports and exports with Nepal. China also used aid policy a reward for echoing the 'One China policy' and banning any kind of anti-China activities on its soil. It will provide security for increasing the Chinese investments in strategic section and will bring Nepal close to China. These real economic intentions of China getting involved in Nepal's economic arena will become a worry for India because it has blasted Chinese expansion in the region, with bigger and long-term interests.

China-Nepal military engagement which existed since 1990s took a foremost turn after the Maoist triumph in which Nepal became largely dependent on Chinese military supplies which was earlier enjoyed by India (Upreti, 2006). The greater Chinese military engagement with Nepal government becomes security threat to India establishment. It will undermine the India's military relations with Nepal. To counter this and to overspill China the India government has to spend heavily in developing strong military relations with Nepal. It will heavily impinge upon the India defence budget. Moreover, Chinese indirect moves of politicizing the Maoists increased its leverage over the Nepal's military

which heavily undermine the Indian security establishment. India will be reduced in its ability to maintain its military influence and will not get intelligence reports about the border security. Moreover, India's military aids to Nepal for receiving intelligence reports about the border security will also do not get the desired results and will go astray. Recently, the integration of Maoist combatants in Nepal's army largely supported by China will also be inimical to Indian interests.

The unsettled Indo-Nepal border remains a thorn in India-Nepal relations as most of the border areas run through underdeveloped and populous areas where a high crime rate, poor governance, inadequate infrastructure, and an ill-equipped police force make conditions conducive for various forces inimical to Indian interests to operate. Therefore, with the growing Chinese influence the subversive elements across the Indo-Nepal border and even in the north-eastern states of India will increase. Concerns about Chinese anti-Indian influence in Nepal were for the first time openly expressed by the Indian side at the end of last year when Pranay Sahay, Director General of Armed Border Force Sashastra Seema Bal after an India-Nepal border meet told the press that the Chinese activities in the southern part of Nepal have increased (Kochhar, 2013).

Besides, this the Indian concerns over the Chinese move in Nepal has got to do with the fact that region has been an important theatre for Indian counter-terrorism operations. Having greater strategic linkages with Pakistan the Chinese consolidation in Nepal will provide greater protective cover to Pakistani terror outfits targeting India through Indo-Nepal border. The recent arrests of two high-profile terrorists, Adul Karim Tunda and Mohammed Ahmed Sidibappa and Alias Yasin Bhatkal indicated the increasing terrorist activities on the Nepalese soil that are increasingly using Nepal as a base because the open border with India allows them to enter and exit India with ease (Das, 2013). Moreover, the Nepalese border has also served as the passage to a haven for smugglers, who have been able to smuggle drugs and arms to India without hindrance. A number of recent reports have indicated that Nepal's Maoist insurgents are involved in smuggling drugs to India to raise money to buy arms. This would also increase more space for infiltration of Chinese agents and

20. "China boosts trade with Nepal." *The Hindu*, April 03, 2014. Retrieved from <http://www.thehindu.com/news/international/china-boosts-trade-with-nepal/article3273935.ece>

21. "China to grant zero-tariff to Nepal." *Kathmandu Post*, April 8, 2010. Retrieved from <http://www.ekantipur.com/the-kathmandu-post/2010/04/07/Business/China-to-grant-zero-tariff-to-Nepal/206989/>

their clandestine activities against India which has caused considerable concern, within the Indian security establishment.

The decline of Indian influence due to the entry of Maoists in Nepal's political mainstream is further decreased by extensive network of Chinese railways in recent years. The Chinese railway and roads passing through most difficult terrain aimed at Chinese consolidation and greater and easy access of China to Nepal. China has been rapidly investing on its road and railway networks in Nepal. This Chinese approach in Nepal by laying the rail networks would increase its maneuverability in Nepal.

China's longer term interests to link Nepal with Tibet's large network of road, rail and air infrastructure would neutralize India advantage in having better strategic access to Nepal. More importantly their extensions along the Indo-Nepal border will undermine Indian security. If Nepal will not able to resist an attack through these routes, the Indian heartland would be easily accessible. No doubt, in the future it would be quite beneficial to China and Nepal but will be nerve-wracking for India because the Himalayas remained no more a border between Nepal which will reduce Kathmandu's dependence on India.

The trade and investment ties with Nepal as well as development assistance have progressively risen in recent years, as Beijing's economic influence radiates through the network of railways and roads. With greater expectancy, Chinese trains loaded with goods will reduce the Himalayan country's long-standing dependence on Indian imports and will enable it to import petroleum products from Beijing. Furthermore, Chinese rail system will bring into Nepal more tourists from China. It is reported that Chinese tourist arrivals in Nepal have grown at an average of nearly 25 percent a year over the last few years (Mohan, 2014). Such greater increase will bring china more close to Nepal even culturally than India. Thus, for India, these developments were a cause of grave concern. Therefore, a cautious approach is the need of the hour.

China has also pressed ahead with the moves to expand its presence by setting up Confucius Institutes -- Beijing's non-profit public bodies

meant to promote Chinese language and culture to increase its influence in Nepal (Thussu, 2013). There are also the CNFSA (China-Nepal friendship societies and associations) manned by local businessmen with trade links to Beijing, which have been set up at all the district headquarters in the Himalayan nation. More importantly, China has increased proliferation of Chinese Study Centres along the Indo-Nepal border (Parashar, 2009). These institutes disseminate the benign role of China and generate attentiveness of Nepal about India's hegemonic intentions. They act as a barrier to Indian influence in Nepal by bringing China closer to India. In the formulation of anti-wave against India, these centers provide a valuable instrument for China for greater exploitation of anti-Indian feelings prevailing among the Nepalese in order to isolate and marginalize India's influence in Nepal. More importantly China study centres along Indo-Nepal border will undermine the Indian security in the northern eastern side of India. Although, India too has submitted proposals to open new consulates at Nepalganj and Biratganj in the Madhesh region, Nepal has kept them on hold for the time being (Mitra,2013). Besides CSCs, NCMCS (Nepal-China Mutual Cooperation Society), NCEC (Nepal-China Executives Council) in Kathmandu, NCFSA (Nepal-China Friendship Association) in Lumbini and the NCYFA (Nepal-China Youth Friendship Association) in Pokhara were established to maintain diplomatic relations between the two countries and to disseminate an image of a friendly China as opposed to hegemonic India (Bhattacharya, 2009). The introduction of Chinese studies in Nepal's schools will bring Nepal's youth more close to China against the cultural relationships with India. Furthermore, the launching of FM station of China radio international in Nepal having millions of listeners will undermine India's cultural relationship by promoting greater cultural affinity with Nepal. The small radio stations installed along the Indo-Nepal border will also undermine the Indian security by keeping China aware about Indian activities along the Indo-Nepal border.

No doubt, India's influence in Nepal rapidly declined as Maoists are making things worse for New Delhi. However, a complete Pro-China Nepal would be appalling for Delhi and eliminative to its access to Nepal, and security threat on Sikkim

and Bhutan. The Chinese exploitation of the Anti-Indian sentiments will increase Nepal's hostility towards Nepal. Consequently, it will increase Chinese strategic leverage which will place the Indian union in double-trouble because it is like an imminent danger over Delhi. In the recent years, the Chinese presence in Nepal is getting larger and is working systematically to remove the Nepalese over dependence on India (Nayak, 2012). Moreover, Beijing has also deployed security agents inside Nepal, to prevent anti-China activities. These activities demonstrate Chinese interference in the internal affairs of the country despite their stated policy of non-interference in the domestic affairs of other countries.

The above all shows that China's is making multifaceted involvement in Nepal by economic, military and cultural and even political engagements. Such comprehensive engagement definitely challenges Indian security and economic interests. However, the Indian political and bureaucratic class has over the years neglected to establish broader ties with all political entities and appears to have created a situation of carelessness and high-handedness – what critics would call arrogance and supremacy. Furthermore, India has failed to establish the multi-layered levels of contact and use of innovative ways (cultural or diplomatic) for strong bilateral cooperation with Nepal. On the other side, the very diverse set of challenges confronting India in South Asia also make it very difficult to adopt overall consistent, universal strategies towards Nepal.

However, it is critically important for India to balance China's rising power in Nepal. By not doing so, India's interests would be undermined. For that reason, it is of urgent need that India has to relook its policy options to develop cooperative ties with Nepal. A guarded approach and reconsideration of their relationship is the need of the hour. So, if India reworks its relationship with Nepal, it has greater choices in terms of its geographical proximity and historical ties. However, as much as India would like to push China out of its sphere of influence, it does not have the regional or international clout to stem Beijing's march in Nepal unless India takes an overall judicious foreign policy stand rather than multiple foreign policy narratives. For that, India has to shape the rules of the regional architecture

of which it is a member. It has to become proactive shaper of regional security by realizing strategic vision of its regional role.

## CONCLUSION

China is expanding its geo-political, geo-strategic and geo-economic footprints in the South Asian region. It has relentlessly been spreading its assertiveness into South Asia by multidimensional engagement of assuring economic, military and diplomatic support. Such Chinese assertiveness is highly illuminated in Nepal because occupies a unique geo-strategic position whereby the two Asian giants increases their influences from the standpoint of security.

China and Nepal come closer after the establishment of diplomatic relations. Nonetheless, after the foundation of political relationship the relationship between them did not enhance till 1959. After 1959, relationship improved whereby Chinese interests diversified in which China started providing enough political, economic, and strategic support to Nepal. However, Chinese policies were not rigorous to prevent Nepal's engagement with India. During this period, China-Nepal engagement did not reach its zenith and till Maoist triumph did not pose any serious concerns for India.

However, China's Rise and the coming of Maoists in power in Nepal have made an apparent choice for China to re-accentuate its policies towards Nepal. This has led to greater engagement of China in Nepal in which China provided titanic economic packages, diplomatic and security offers, and development projects to gain its strong strategic foothold in Nepal. Nepal likewise made a shift in its adjusting technique and gets seriously slanted towards China by upholding the "one-China" policy

The explanations behind such engagement are the space provided by India's vague South Asian policy stance towards Nepal and the bilateral aggravation that deeply interrupts Indo-Nepal bilateral relationship. In addition, Nepalese perception of India's South Asian Policy, being hegemonic, interfering in Nepal's internal affairs is additionally keeping them far away. Moreover, the rising economic power of China and its

South Asian policy of countering India's South Asian policy are also providing room for China to enhance its strategic clout in Nepal.

No doubt, India and Nepal are sharing close economic political and cultural relations established through the treaty of peace and friendship 1950. However, China is adopting in-depth strategies to undercut and undermine India's relationships with Nepal and diminishes its strategic stature in Nepal. India's overall policy stance towards Nepal, befuddled and diluted by the interests of various lobbies remained unsuccessful in countering the China's strategic leverage in Nepal for securing its security. However, it is critically important for India to balance China's rising power in Nepal. By not doing so, India's own increasing role as a regional power would be reduced which would have serious ramifications for India's interests not only in South Asia but also other parts of world like Southeast Asia. However, as much as India would like to push China out of its sphere of influence, it does not have the regional or international clout to stem Beijing's march in Nepal unless India takes an overall judicious foreign policy stand rather than multiple foreign policy narratives. While taking overall judicious foreign policy India will able to maintain its position in Nepal. India should also develop good relations with all the political entities of Nepal. It should also develop the relations with Maoists whether they remain in power or not to avoid criticism of its policy and ensure the security of its investments.

The treaties and agreements particularly the Treaty of Peace and Friendship should be revised in light of the fact that it comes as an impediment at whatever point India and Nepal came closer to accomplish statures of bilateral collaboration. India should also work for the development of frontier region by modernizing border infrastructure and regulated trans-border connectivity. It should develop railway and road connectivity with Nepal. India likewise needs to put well in Nepal's hydropower development in light of the fact that India has remained a potential speculator in hydro-power segment and is a potential market also. It has also to ensure full accomplishment of these projects to attain its leverage. The less implementation of these projects has remained a common feature of India's policy which had led to growing perception

in Nepal that "India promises, China delivers". India's record of project implementation in Nepal is awful. The major reason for this is that India is putting less emphasis on gigantic infrastructure, but India has to work well for the strategic constructions with planned execution.

At the cultural level numerous conceivable options are accessible at the Indian cost to make a sort of broadened social zone for the development of its relationship with Nepal. India can increase its influence by enhancing funding for cultural activities in embassies, starting India study centres etc. These institutes will increase India's soft power by projecting a great picture image of India among the Nepalese.

India should also give more emphasis to public diplomacy. More funding should be given for public diplomacy and holding of more cultural festivals showcasing large identities of each other's cultural aspects. The doors of Indian universities should be adequately made open to Nepalese students through scholarships and student exchange programmes to understand each other's culture, interests and values which would project favorable image about India. Tourism exchanges should be enhanced whereby Nepalese tourists should be highly welcomed to India so that more people see the beauty and varied culture of India. Indian voyagers likewise should pass on the picture of new, rich and confident India. They must also be advised to be polite and to respect the traditions of the countries they visit. Schools should be built with the Indian speculation to advance the great India's benevolent picture.

Thus, for accomplishing all these initiatives India needs to take astute prudent strategy to maintain its position in Nepal. It has to shape the rules of the regional architecture of which it is a member. New Delhi's has to become a proactive shaper of its security in Nepal. It has to achieve the strategic vision of its role in Nepal to challenge the very diverse set of challenges arising out of Chinese strategic clout. It should enhance its strategic relationship with Nepal. However, Nepal should also come forward to avoid the greater strategic leverage towards China. It has to maintain the balancing strategy in light of the fact that if China and India come at severe conflict in Nepal, it will have severe spillover effects on Nepal.

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