

SINO-NEPAL Relation and Strategic Interests

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Abstract: Nepal is a small mountainous country locked between the two Asian economic giants, China and India. Its geopolitical situation makes it the focus of the growing rivalry between China and India. This rivalry could be either an opportunity for the development of Nepal or its total dependency on either China or India. The Chinese power projection into Nepal threatens the existing Indian economic domination of Nepal. Moreover, China sees Nepal as a strategic development in its global Belt and Road Initiative project.

Keywords: Sino-Nepal relation, Political-economy, Chinese strategic interests, India

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I. INTRODUCTION:

Nepal is a small land-locked country with an area of 147,181 square kilometres, most of which is mountainous and hilly, except for the southern lowland Terai region. It borders the Tibetan region of China and the Himalayas in the north and borders India in the south, east and west. Nepal remains an economically poor, largely agricultural country dependent for its development and growth on outside aid, assistance, markets and including remittances and investment, primarily from India until the 21st century.

Historically, the relationship between Nepal and China remained supportive, friendliness, sound and cordial that can be traced from the 5th century (Upadhyaya, 2012). However, they suffered from conflict in 1788-92, in which Tibet defeated Nepal and signed the Treaty of Betrawoti in 1792 to continue the harmony between them (Savada, 1991). On another occasion, Nepal invaded Tibet (China) in 1954, but the treaty of Thapathali in 1856 maintained the peace and friendship between them (Thapa, 2010).

In the modern era, the People's Republic of China (PRC), from its founding in October 1949, saw Nepal as a buffer zone safeguarding its Himalayan border (Norbu, 2001: 248). When Tibet became an Autonomous Region of the PRC in 1950, Nepal became a Chinese security question, as it allowed an escape route for Tibetan refugees across the Himalayas, especially to India. China and Nepal signed a friendship agreement on 1 August 1955 (Savada, 1993; Upadhyaya, 2012), which saw China support infrastructure projects in Nepal such as highways, electricity projects, irrigation and dams. After the war with India over borders in the territories of Aksai Chin and Arunachal Pradesh (southern Tibet) in 1962, China developed a strategy to protect Nepalese territory from any third country (Shah 2015: 103). Since this period, China has continued to exhort Nepali independence from Indian domination, as part of its continuing anti-India propaganda.

II. POLITICAL-ECONOMY:

Since the establishment of modern diplomatic relations between Nepal and China on 1 August 1955, there have been numerous high-level visits between each country to consolidate their mutual understanding and trust (Hong-Wei, 1985). In addition, the political support for each other made their relations stronger. For example, Nepal stayed neutral during the Sino-India war of 1962, leading to sponsoring China's admission to the United Nations in the same year by voting in favour of China. Chinese support to the Nepalese King's proposal for Nepal as a zone of peace in 1975 is an example of political support (Rose & Scholz, 1980; Thapa, 2010). Further, the exchange of bilateral visits immensely contributed to nurturing their relations (MOFA, 2017). Significantly, China increased the army relations and cooperation also since 1998 through joint military exercises, exchange of military academics, training, and supply of non-lethal military assistance, as well as budget of USD 2.6 billion to Nepal Army and Police in 2008 (Jha, 2016; Nepalnews, 2009). Such cooperations are helpful to build a pro-China constituency within the Nepalese armed forces (Nayak, 2017).

Stronger relations between China and Nepal developed in the economic sector from 1956 with economic aid and trade agreements (Jain, 1981). These moves were breakthrough from Nepal's dependency, especially on India, which regarded them with interference in Nepalese affairs (Ranade, 2013). China has been supporting different sectors such as transport, industries, water resources, health and sports (MOFA, 2017). China's trade, grants/aids and investment in Nepal rose from USD 0.53 million (NPR 4 million) in 1956 to USD

10 million by 1980 (Hong-Wei, 1985). Recently, the trade has increased to USD 1.96 billion in 2020/21 between Nepal and China (*Xinhua*, 25 July 2021).

In 1985, China began highway construction in Nepal. It agreed to construct the trans-Himalayan highway from Pokhara of Nepal to the Xinjiang-Tibet highway in Tibet (Upadhya, 2012: 110). In addition, the Arniko friendship highway linking Lhasa and Shanghai to Kathmandu and Kolkata, the major closest Indian port to Nepal, was funded and constructed by China. It was completed in 2014 with a USD 100 million through the China-Nepal cooperation project (Hopquin, 2013).

From 1995, China encouraged Nepal to adopt an even-handed approach to Chinese and Indian aid, assistance and investment (Kumar, 2011: 81). During the people's war, China continued to provide financial and technical assistance to Nepal (1995-2005). China provided USD 9.91 million (80 million RMB) in aid and assistance from 1995 to 2004 (Sharma, 2017: 65). By 2008, China completed the 100-kilometre optic fibre cable Zhangmu-Kathmandu project which linked Nepal to the new information superhighway (Lama, 2013:5). The largest private hospital in Nepal, China-Nepal Boda Hospital, was completed in 2009 with Chinese funding (ibid). To provide a solution to Kathmandu's frequent water shortages, Chinese State-Owned Enterprises (SOEs) have been working out on Melamchi Water Supply Project since 2013 (ADB, 2013). During the Maoist-dominated government in 2008-2009, China increased its offer of a grant from USD 21 million to USD 187 million to Nepal to develop a good relationship with the new government after the demolition of the Monarchy (Singh & Shah, 2016).

In late 2015, the Madhesi people and political parties of the Terai plane were angry because the new Nepalese constitution did not give them autonomy; they conspired with India to maintain an economic blockade for six months by closing the main highway between India and Kathmandu. The blockade caused a political impasse in Nepal as India applied pressure to change Nepal's new constitution. All fuel and energy supplies by road transport were cut between India and Nepal. The Nepalese domestic economy was in crisis (Roy, 2015). To break the blockade and support the Nepalese government, China offered to supply Nepal with 1.3 million litres of petroleum (*Kathmandu Post*, 2015). India, acting quickly, ended the blockade at the Nepalese border and signed an agreement with Kathmandu to supply 1.3 million tonnes of petroleum a year to Nepal (Dhakal, 2017). As a response, China expanded its annual grant assistance to Nepal from USD 116 million in 2016 to USD 1.2 billion in 2017 (MoFA, 2017; *the news lens*, 2017). This Chinese economic intervention led to new agreements and memorandums of understanding between Nepal and China in trade, transit transport, connectivity, and financial cooperation on 21 March 2016 was the beginning of the end of Nepalese dependency on India and possibly the beginning of its dependence on China (Sharma, 2016). Further, China committed foreign direct investment of USD 188 million to Nepal in 2020/21 (*Xinhua*, 2021).

In March 2017, the Chinese Defence Minister visited Nepal to discuss the importance of the Belt and Road Initiatives (BRI) for both Nepal and China. The BRI project was to increase the connectivity between China and Nepal and promote mutually beneficial cooperation in various fields such as the economy, environment, technology and culture. Nepal joined the BRI project in May 2017. In April 2017, Nepal and China conducted the first-ever joint military exercise in Kathmandu that focused on counter-terrorism and disaster response that was followed second time in September 2018 (*China Mail*, 2018; *The Times of India*, 2017). The BRI agreement and the joint military exercise alarmed New Delhi. In late May 2017, the Indian Army Chief of Staff arrived Nepal to discuss joint military exercises between Nepal and India and conducted in Nepal from 3 to 16 September 2017 for counter-insurgency operations which were agreed to conduct in every six months interval (*South China Morning Post*, 2017; Ying, 2017). Recently in September 2021, the 15th edition of the India-Nepal joint military training exercise was conducted at Pithoragarh in India (*ANI News*, 2021). These new developments between China and Nepal will end Nepal's status as an Indian security zone. China's BRI project in Nepal may bring greater pressure on India to become a Chinese partner in South Asia (*Global Times*, 2017; Subedi, 2017).

III. STRATEGIC INTERESTS:

Since 1955, China has been adopting its interest policy towards Nepal. The policy is determined by the five principles of peaceful co-existence (respect to each other, non-aggression, non-interference, equality and mutual benefit, and peaceful co-existence), non-intervene in Nepal's domestic politics but support from Nepal in China's sovereignty, and national interests, including issues of Tibet, Taiwan and human rights (Jaiswal, 2014; Singh, 2003). For example, the treaty of peace and friendship on 28 April 1960 made Nepal agree to the 'One China policy' recognizing Chinese sovereignty over Tibet (CPIFA, 1960; Kumar, 1963).

China has projected its power into Nepal because of its geo-strategic location. Beijing sees Nepal's economic and political vulnerability as being used by external powers, especially India, against the security of China by utilizing Nepal as a sanctuary for the Tibetan refugees and the US design to encircle China (Dhakal, 2003). As around 20,000 Tibetan refugees live in Nepal, China seeks close ties with the Nepalese Government to secure its co-operation in stamping out anti-China activism (Ramachandran, 2018).

China has been apprehensive about India's economic and political leverage in Nepal since the Indian Independence in 1947 (Li, 2010). China has attempted to increase massively its economic relations influence in Nepal since the end of the Maoist Insurgency in 2006. China seeks to increase its security as well as its influence in Nepal through massive aid programs to counter and weaken Indian influence over Kathmandu and curb anti-China activities (Achariya, 2013; Chand, 2014; Frank, 2010).

China adopted a 'watch and wait' policy during the Maoist insurgency between 1995 and 2005 in Nepal. China promised the Nepalese Government to provide help in suppressing the insurgents so Nepal could maintain peace and stability (Pandey, 2005) whereas India was trying to decrease the ties with the Nepalese Government (Pandey, 2005; Vaughan, 2006). Remarkably, a network of China Study Centres (CSCs) was set up in southern Nepal along with the India border in 2000 to disseminate Anti-India propaganda and gain strategic leverage in Nepal by increasing soft power of culture, ideology and institutions during the Maoist insurgency time (Bhattacharya, 2009; Congress Research Service, 2008; Paradise, 2009). In addition, China Radio International's local FM radio station in Kathmandu and the China-Nepal Mutual Cooperation Society was established to weaken or even marginalize India's influence in Nepal (Jha, 2010; Ranade, 2013; Singh & Shah, 2016).

Since the abolition of the Monarchy in 2006 and the transformation of Nepal into the Democratic Republic in 2008, China has intensified its efforts to expand its influence in Nepal. The major change in Sino-Nepal relations occurred with the operation of the Qinghai-Lhasa railway in July 2006 which increased Chinese economic and military aid to Nepal from USD 1.3 million in 2007 to USD 2.6 million in 2008 and USD 8 million in 2014. This led to their mutual defence cooperation which was dependent on China's military assistance. It also decreased Nepal's dependency on India and its own security in the Tibet Autonomous Region (TAR) (Ranade, 2013; Sehgal, 2014; Singh & Shah, 2016).

Since 2007, China's primary strategy in Nepal has been to remove any Indian influence and dominate Nepal economically. China's re-opening of the Kathmandu-Lhasa highway in 2008, designated Zham/Zhangmu of Tibet as a dry port for Nepal, an extension of the Qinghai-Tibet Railway line from Lhasa to Zham/Zhangmu in 2015 which has the capacity of carrying 7 million tons of cargo a year, and become a substitute for the Kolkata seaport with Raxaul as a dry port (Ranade, 2013) are the parts of the Chinese BRI strategy. The ongoing Lhasa-Khasa rail link will be a land gateway for Nepal-China trade and commerce with the whole of South Asia (Pokharel, 2013). In addition, the Chinese interest to expand railways from Shigatse to Kathmandu increases pressure on India as it loses its economic and political dominance over Nepal (Gang, 2016).

With a planned regional level strategy, China joined the South Asia Association for Regional Cooperation (SAARC) in 2007 as an observer (Pokharel, 2013). China's primary strategy in joining SAARC was to invest in infrastructure (railways, roadways, and hydropower) to project its influence as well as strengthen its presence in South Asia by controlling the vast and still largely unexploited water sources of Nepal and by developing its economic integration as well as connectivity in the region (Bajaj, 2010; Ramachandran, 2018; Singh & Shah, 2016:). China has started to tap these energy sources in Nepal by investing in various hydropower projects such as Trisuli hydropower, West Seti hydropower (Xinhua, 2014).

According to the Chinese new foreign policy - go global and seize opportunities, it considers Nepal as a gateway to South Asian subcontinent new markets especially the Indian giant market and alternative sea routes. This would provide an economic boom by controlling the Asian market, so China has been investing in the development of infrastructure to develop Nepal as a transit hub (Bajaj, 2010; Business Standard, 2016; Campbell, 2012; Chennai Centre for China Studies, 2011; Gupta, 2013).

As competition between India and China increases, India seeks to maintain its domination of Nepal as a sphere of influence while China is concerned at the strategic encirclement of India to marginalize India in the long term and reduce India to the status of a sub-regional power instead of becoming a significant regional power in the Asia-Pacific region (Kanwal, 1999). Therefore, China is determined to advance into South Asia by investing in Nepal as well as Sri Lanka, Bangladesh and Pakistan in a strategic policy of encircling India (Sheikh, 2017). In the case of Nepal, China is eager to provide an alternative to India by providing new trade routes and developing strategic ties (Sunil, 2017). China's proactive policy vis-a-vis Nepal is very much part of its larger aim to erode India's influence in South Asia (Singh, 2010). For instance, China utilized an opportunity during the blockade by India in late 2015 to provide economic support, including fuels which broke down India's long-standing monopoly over fuel supply to Nepal (Chalise, 2017; Mustafa, 2016).

IV. CONCLUSION:

Nepal remains a largely undeveloped poor land-locked country with limited economic resources in the 21st century. Nepal's geographic neighbours, China and India, have raised major economic powers in the region and China's case globally. Nepal is confronted with substantial economic and political challenges because of its strategic location and these two rival regional powers. In the past, India saw Nepal as its poor dependent, whose politics, trade and investment could easily dominate. However, after the Maoist insurgency, China has begun to

provide massive aid and assistance to Nepal in building infrastructure projects - roads, railways, telecommunications and hydropower. Increasingly, Nepal faces the dilemma of balancing and benefiting from the rivalry between China and India within its borders.

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