

Nepal is geo-strategically located between the two main drivers of the new Asian Century – India and China. While China has already reserved a seat at the global high table, India will soon reclaim its place there. Both India and China will reshape the global political, economic and strategic order in days to come. Nepal, being situated between these two giants, will have larger implications as recently, both, stood eyeball to eyeball on the issue of Doklam. In this context, the book aims to understand the complexities and contradictions in Nepal's foreign policy in the changing global power structure and posits Nepal's relations with the great powers.

The book consists of 11 chapters by scholars from India, Nepal, US and Australia on Nepal's relations with regional and great powers such as India, China, Australia, US, France, UK, Germany and European Union.

Dr. Pramod Jaiswal is a Senior Fellow at the Institute of Peace and Conflict Studies (New Delhi), the Pangoal Institution (Beijing), and Faculty at Master's in International Relations and Diplomacy (MIRD), Tribhuvan University (Kathmandu). Dr. Jaiswal has previously worked at Fudan University (Shanghai), Institute for Defence Studies and Analyses (New Delhi) and the Rising Nepal, Kathmandu-based English daily. He holds a PhD from School of International Studies, Jawaharlal Nehru University, New Delhi and is the Member of International Advisory Committee, Journal of Liberty and International Affairs, Macedonia and Member of the Editorial Board, Gandhara Journal of Research in Social Science, Pakistan. He has authored 'Nepal-China Relations, 1990-2009', edited 'Migration and Human Security in South Asia', 'Revisiting Nepal's Foreign Policy in Contemporary Global Power Structure', 'Constitution of Nepal: Evolution, Development and Debates' and 'Understanding Nepal in Contemporary Times' and co-edited 'India-China-Nepal: Decoding Trilateralism', 'Unique Asian Triangle: India-China-Nepal' and 'Nepal's Foreign Policy and Her Neighbours'. He specialises on South Asia with special focuses on China's role in this region. His research interest includes Chinese Foreign Policy, China's South Asia Policy and China's ambitious 'One Belt One Road' initiative. His primary focus is on insurgencies, border management, terrorism, illegal migration, radicalism, and ethnic conflicts.



SYNERGY BOOKS INDIA

24/4800, Ansari Road, Daryaganj, New Delhi-110002

Phone: 23268786, 23257264, Fax: 23281315

Website: www.synergybooksindia.com

Email: synergybooksindia@gmail.com

ISBN: 978-81-908383-00-0



Price ₹. 995.00

NEPAL AND THE GREAT POWERS

Dr. Pramod Jaiswal

NEPAL AND THE GREAT POWERS

Dr. Pramod Jaiswal



Nepal and the Great Powers

Nepal and the Great Powers

Editor
Pramod Jaiswal



SYNERGY
SYNERGY BOOKS INDIA
New Delhi

First Edition 2019

Copyright © Authors

ISBN: 978-93-82059-80-6



SYNERGY

Synergy Books India

24/4800 Ansari Road, Darya Ganj

New Delhi-110002

Phone: 011-23268786, 23257264-65

E-Mail: synergybooksindia@gmail.com

Web: www.synergybooksindia.com

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical or photocopying or otherwise, without prior permission in writing from the author or original publisher.

*Dedicated
to
Ahana and Rayan*

Contents

<i>Preface</i>	<i>ix</i>
<i>Acknowledgement</i>	<i>xi</i>
<i>Contributors</i>	<i>xiii</i>
<i>Abbreviations</i>	<i>xv</i>
1. Dynamics of Nepal-India Relations <i>Binodkumar Singh</i>	1
2. Looking Beyond Aid in Australia-Nepal Relations <i>Asha Sundaramurthy</i>	19
3. Nepal-China Relations: Tortoise Motion Reaching Comprehensive Destination <i>Buddhi Sharma</i>	35
4. Nepal-US Relations Post 1950 <i>Erika Cornelius Smith and Kalpana Khanal</i>	51
5. China's Foreign Aid to Nepal: An Assessment <i>Khadga KC and Shree Krishna Silwal</i>	71
6. Nepal and the Great Power Rivalry Between China and India <i>Drew Cottle, Paul Antonopolous and Sunil Thapa</i>	93
7. Assessing Nepal- Britain Relations from the Prism of Predominant IR Theories <i>Gaurav Bhattarai</i>	111
8. Nepal - France Relations - Honed by the Passage of Time <i>Mohan Krishna Shrestha</i>	128

9.	Assessment of Nepal-Germany Bilateral Relations	151
	<i>Niha Pandey</i>	
10.	India-Nepal Open Border: Springboard for Opportunities	165
	<i>Prasanta Kumar Sahu</i>	
11.	Nepal's Relations with European Union: The Way Ahead	182
	<i>Shikha Gautam</i>	
	<i>Index</i>	193

Preface

Nepal is geo-strategically located between the two main drivers of the new Asian Century – India and China. While China has already reserved a seat at the global high table, India will soon reclaim its place there. Both India and China will reshape the global political, economic and strategic order in days to come. Nepal, being situated between these two giants, will have larger implications as recently, both, stood eyeball to eyeball on the issue of Doklam. In this context, the book aims to understand the complexities and contradictions in Nepal's foreign policy in the changing global power structure and posits Nepal's relations with the great powers.

The book consists of 11 chapters by scholars from India, Nepal, US and Australia on Nepal's relations with regional and great powers such as India, China, Australia, US, France, UK, Germany and European Union. Unfortunately, we could not receive chapters on Nepal's relations with Japan and Russia on the stipulated time.

Dr Binodkumar Singh highlights the different dynamics of Nepal-India relations. He examines how both the countries have been engaging in different sectors and also explores China factor in their relations.

Asha Sundaramurthy analyses the existing facets of the Australia and Nepal relationship and illustrates the growing convergences between Australia and Nepal in their strategic considerations of rising powers, particularly that of India and China that is less explored in existing literature. She also examines the nature of Australia and Nepal's ties and the implications it has for the region.

Buddhi Sharma analyzes the historical relations between Nepal and China and provides recommendations on how the relationships between the two counties can be further enhanced.

Dr. Erika Cornelius Smith and Dr. Kalpana Khanal explore the political, economic, and cultural aspects of US-Nepal engagement in the second half of the twentieth century, and examine how the historical trajectory of that relationship shapes contemporary cooperation between the two states today.

Dr. Khadga KC and Shree Krishna Silwal explain Chinese foreign aid dynamics and assess Chinese foreign aid to Nepal.

Dr. Drew Cottle, Paul Antonopoulos and Sunil Thapa attempt to comprehend the impact of great power rivalry of China and India in Nepal.

Gaurav Bhattarai assesses Nepal's relations with Britain from the perspectives of predominant International Relations theories. He also explores the evolution of the bilateral and diplomatic relations between the two countries.

Ambassador Mohan Krishna Shrestha briefly compares Nepal and France and provides the detailed study of the relations between the two countries.

Niha Pandey critically looks at the bilateral relation between Nepal and Germany. Her primary focus is on state visits between the two countries and analyzes the people-to-people relations between them.

Prasanta Kumar Sahu looks at the opportunities of open border to India and Nepal.

Shikha Gautam traces the outline of Nepal's relations with European Union.

As a last word, I would like to mention that the authors have sole responsibility for all errors/ omissions and take full responsibility for the work being original.

Dr. Pramod Jaiswal
Editor

Acknowledgements

The book aims to understand the complexities and contradictions in Nepal's foreign policy in the changing global power structure and posits Nepal's relations with the great powers. It consists of 11 chapters by scholars from India, Nepal, US and Australia on Nepal's relations with regional and great powers such as India, China, Australia, US, France, UK, Germany and European Union.

It is the outcome of the combined effort of the authors of various paper incorporated in the book along with my personal contribution as an editor. Here, we would like to thank all the authors Dr Binodkumar Singh, Asha Sundaramurthy, Buddhi Sharma, Dr. Erika Cornelius Smith, Dr. Kalpana Khanal, Dr. Khadga KC, Shree Krishna Silwa, Dr. Drew Cottle, Paul Antonopoulos, Sunil Thapa, Gaurav Bhattarai, Ambassador Mohan Krishna Shrestha, Niha Pandey, Prasanta Kumar Sahu and Shikha Gautam.

Last but not the least; I would like to thank Synergy Books India for providing all help and support for publishing the book.

Contributors

Asha Sundaramurthy, Research Scholar, Center for Indo-Pacific Studies, Jawaharlal Nehru University, New Delhi, India.

Binodkumar Singh (Dr.), Research Associate, Institute for Conflict Management, New Delhi, India.

Buddhi Sharma, PhD Scholar, Communication University of China, Beijing, China.

Drew Cottle (Dr.), Senior Lecturer, Politics and History, School of Humanities and Communication Arts Western Sydney University, Australia.

Erika Cornelius Smith (Dr.), Assistant Professor, Political Science and International Business Chair, Political Science, Nichols College, Massachusetts, USA.

Gaurav Bhattarai, Faculty, Masters in International Relations and Diplomacy, Tribhuvan University, Kathmandu, Nepal.

Kalpana Khanal (Dr.), Assistant Professor, Economics and Finance, Nichols College, Massachusetts, USA.

Khadga KC (Dr.), Associate Professor, Masters in International Relations and Diplomacy, Tribhuvan University, Kathmandu, Nepal.

Shree Krishna Silwal, Section Officer, Ministry of Foreign Affairs, Nepal.

Mohan Krishna Shrestha, Former Nepalese Ambassador to France and CEO of Center for Diplomacy and Development, Nepal.

Niha Pandey, Faculty, Masters in International Relations and Diplomacy, Tribhuvan University, Kathmandu, Nepal.

Paul Antonopoulos, Post-Graduate Research Student, Western Sydney University, Australia.

Prasanta Kumar Sahu, PhD Research Scholar, Centre for Russian and Central Asian Studies, School of International Studies, Jawaharlal Nehru University, New Delhi, India.

Shikha Gautam, PhD Research Scholar, Centre for European Studies, Jawaharlal Nehru University, New Delhi, India.

Sunil Thapa, Post-Graduate Research Student, Western Sydney University, Australia.

Abbreviations

ADB	Asian Development Bank
ADS	Agricultural Development Strategy
AISHE	All India Survey on Higher Education
ASEAN	Association of Southeast Asian Nations
ATR	Aerei da Trasporto Regionale
BDCC	Border District Coordination Committee
BDP	Bhaktapur Renewal and Development Project
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIPPA	Bilateral Investment Promotion and Protection Agreement
BJP	Bharatiya Janta Party
BPKF	B P Koirala India-Nepal Foundation
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa
CFG	Corporate and Financial Governance
CGGC	China Gezhouba Group Corporation
CGTN	China Global Television Network
CPA	Comprehensive Peace Accord
CPEC	China-Pakistan Economic Corridor
CPN	Communist Party of Nepal
DAAD	Deutscher Akademischer Austausch Dienst
DCI	Development Cooperation Instrument

DFAT	Department of Foreign Affairs and Trade
DFID	Department for International Development
EBA	Everything But Arms
EC	European Commission
EIDHR	European Initiative for Democracy and Human Rights
EP	European Parliament
EPG	Eminent Persons Group
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Products
GNI	Gross National Income
GOI	Government of India
GON	Government of Nepal
GPE	Global Partnership for Education
GSIs	Global Standard Institutions
GZK	Goethe Zentrum Kathmandu
ICNR	International Conference on Nepal's Reconstruction
IDPG	International Development Partners Group
IDSA	Institute for Defence Studies and Analyses
IFI	International Financial Institutions
IMF	International Monetary Fund
IPRs	Intellectual Property Rights
IR	International Relations
ITEC	Indian Technical and Economic Cooperation
JCIFM	Joint Committee on Inundation and Flood Management
JCWR	Joint Committee on Water Resources

JMCWR	Joint Ministerial Level Commission on Water Resources
JP	Joint Program
JSC	Joint Steering Committee
JSTC	Joint Standing Technical Committee
JTT	Joint Technical Team
JWG	Joint Working Group
LDCs	Least Developed Countries
LDM	Local Development Partners Meeting
MDG's	Millennium Development Goals
MIP	Multiannual Indicative Program
MoFA	Ministry of Foreign Affairs
MOU	Memorandum of Understanding
MRP	Machine Readable Passports
MSNP	Multi Sector Nutrition Plan
NAC	Nepal Airlines Cooperation
NAFTA	North American Free Trade Agreement
NAST	Nepal Academy of Science and Technology
NATO	North Atlantic Treaty Organization
NCCSP	Nepal Climate Change Support Programme
NEGAAS	Nepal German Academic Association
NGOs	Non Governmental Organizations
NIBCGSI	Nepal-India Bilateral Consultative Group on Security Issues
NIDC	Nepal Industrial Development Cooperation
NPPR	Nepal Portfolio Performance Review
NPT	Non-Proliferation Treaty
NRN	Non Resident Nepalese
OBOR	One Belt One Road

Chapter 1

Dynamics of Nepal-India Relations

Binodkumar Singh

Nepal and India have been living as close neighbors of South Asia since the existence of the two countries. The relationship between the two countries is bound by history, geography, economic cooperation, socio-cultural ties and people-to-people relations (Embassy of Nepal 2017). As close neighbors, Nepal and India share a unique relationship of friendship and cooperation characterized by open borders and deep-rooted people-to-people contacts of kinship and culture. There has been a long tradition of free movement of people across the borders. Nepal shares a border of over 1850 kms in the east, south and west with five Indian States – Sikkim, West Bengal, Bihar, Uttar Pradesh and Uttarakhand – and in the north with the Tibet Autonomous Region (TAR) of the People’s Republic of China. The India-Nepal Treaty of Peace and Friendship of 1950 forms the bedrock of the special relations that exist between India and Nepal. Under the provisions of this Treaty, the Nepalese citizens have enjoyed unparalleled advantages in India, availing facilities and opportunities at par with Indian citizens. Nearly 6 million Nepali citizens live and work in India (Ministry of External Affairs 2017).

No two countries in the world are as closely placed, geographically, culturally, historically, economically and strategically, as India and Nepal. It is, therefore, almost natural for them to have extremely intimate and extensive relationship with each other. The tone, temper and thrust of this relationship has been changing according to the changing contexts of regional and international politics, rising economic and nationalistic aspirations of the peoples of the two countries and the dynamics of internal political pressures within their

respective systems (Muni 1992). A number of mechanisms exist between Nepal and India for bilateral cooperation covering various aspects of bilateral relations ranging from trade and economic cooperation to security and water resources. Post the visits from Nepal to India at the level of Prime Minister after Nepal got transformed into a democratic republican country in 2008, both the countries agreed to reactivate the bilateral mechanisms. Consequently, interactions have taken place on cooperation related to security, water resources, trade and commerce, customs, etc. at different levels. There has been a renewed interest in both the sides to make the bilateral relationship more interactive and fruitful (Embassy of Nepal 2017).

High Level visits

There are regular exchanges of high level visits and interactions between Nepal and India. Notably, the Prime Minister of India, His Excellency Shri Narendra Modi paid an official visit to Nepal from 3-4 August 2014, at the invitation of the Prime Minister of Nepal, Rt. Hon'ble Mr. Sushil Koirala. The two Prime Ministers underlined that the high level visits are vital for greater momentum to the close and cordial ties between the two countries (Ministry of External Affairs 2014) Again, Prime Minister Modi visited Nepal from 25-27 November 2014, for the South Asian Association for Regional Cooperation (SAARC) Summit during which several bilateral agreements were signed (Prime Minister's Office 2014). Later, Hon. Deputy Prime Minister and Minister for Foreign Affairs of Nepal Mr. Kamal Thapa had a meeting with Her Excellency Minister of External Affairs of India Smt. Sushma Swaraj on 2 December 2015, at Jawahar Bagh, New Delhi. During the meeting the two dignitaries discussed various aspects of bilateral relations between the two countries as well as the disruption of supplies of essential commodities to Nepal via Nepal-India border checkpoints (Embassy of Nepal 2015).

Shortly after, the Nepalese Prime Minister, Mr. K.P. Sharma Oli, was on a State visit to India from 19-24 February 2016. The Rt. Hon'ble Mr. K.P. Sharma Oli, Prime Minister of Nepal, and the Hon'ble Shri Narendra Modi, Prime Minister of India, held a bilateral delegation level talk. During the meeting, the two Prime Ministers held discussion on wide ranging areas of Nepal-India bilateral relations. The two Prime Ministers also witnessed signing of several bilateral agreements (Embassy of Nepal 2016). Before long, Nepal's Deputy Prime Minister

and Minister for Home Affairs Bimalendra Nidhi visited India from 18-22 August 2016, in order to prepare grounds for India visit by Nepal President Bidya Devi Bhandari and Prime Minister Pushpa Kamal Dahal 'Prachanda' and extend an invitation to Indian President Pranab Mukherjee for Nepal visit (*The Himalayan Times* 2016). Thus, Nepalese Prime Minister Dahal paid a state visit to India from 15-18 September 2016. During his visit, the two Prime Ministers reviewed the entire gamut of bilateral cooperation and underlined the need to further deepen and expand bilateral cooperation in all areas for the mutual benefit of the people of the two countries (Ministry of Foreign Affairs 2016). Again, Dahal visited India from 15-17 October 2016, to participate in the Brazil, Russia, India, China, South Africa (BRICS)-Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) leaders' summit in Goa. He congratulated Prime Minister Modi and extended sincere thanks for convening the Outreach Summit as the event is a unique opportunity of dialogue between the two vibrant groupings of nations (Ministry of Foreign Affairs 2016).

Remarkably, after 18 years, at the invitation of the President of Nepal the Rt. Hon'ble Bidya Devi Bhandari, President of India Shri Pranab Mukherjee paid a State visit to Nepal from 2-4 November 2016. This was the first visit of an Indian Head of State to Nepal since 1998. Shri Pranab Mukherjee upon the conclusion of his State visit to Nepal stated "I am convinced that my visit has provided new dynamism to our common cooperative endeavors. I am confident that building on shared strength of geography, history and culture, India-Nepal relations are poised to ascend to new heights in the coming years for the mutual benefit of our two peoples" (Rashtrapati Bhavan 2016). Further, at the friendly invitation of her Indian counterpart Pranab Mukherjee, President of Nepal Bidya Devi Bhandari on 17 April 2017, paid a five-day State visit to India. During her visit, the two leaders discussed about various areas of cooperation including hydropower, infrastructure development, cross border connectivity and post earthquake reconstruction and agreed on the need of further expanding such cooperation (Embassy of Nepal 2017).

At the invitation of the Prime Minister of India, Shri Narendra Modi, the Rt. Hon'ble K.P. Sharma Oli, Prime Minister of Nepal, was on a State visit to India from 6-8 April 2018. On 7 April 2018, the two Prime Ministers comprehensively reviewed the entire spectrum of

multifaceted ties between the two countries and inaugurated the Integrated Check Post at Birgunj in Nepal. The two Prime Ministers also witnessed the ground breaking ceremony of the Motihari-Amlekhgunj cross-border petroleum products pipeline at Motihari, India. Three separate joint statements on the following key areas of mutual interest were also issued: India-Nepal: New Partnership in Agriculture; Expanding Rail Linkages: Connecting Raxaul in India to Kathmandu in Nepal; and New Connectivity between India and Nepal through Inland Waterways (Ministry of External Affairs 2018). Marking their second bilateral Summit in 2018, at the invitation of the Prime Minister of Nepal, the Rt. Hon'ble K P Sharma Oli, the Prime Minister of India His Excellency Narendra Modi was on a State visit to Nepal from 11-12 May 2018. On 12 May 2018, the two Prime Ministers jointly laid the foundation stone of 900 MW Arun-III hydro-electric projects in Nepal. With a view to further strengthening the close religious and cultural ties between the two countries and peoples, the two Prime Ministers launched Nepal-India Ramayana Circuit connecting Janakpur, the birthplace of Sita, with Ayodhya and other sites associated with the epic Ramayana. In Janakpur, the two Prime Ministers flagged off the inaugural direct bus service between Janakpur and Ayodhya (Ministry of External Affairs 2018).

Economic Cooperation

On the economic side, India has cooperated with Nepal in the construction of various projects, especially in the sectors of infrastructure, health, education and other technical fields. A good number of joint venture projects with Indian investment are in operation in Nepal. Due to geographical proximity, socio-cultural linkages and increased interactions between the two peoples, trade, commerce and economic cooperation have been expanding along with the growth in other aspects of bilateral relationship. India is Nepal's important trade partner. Trade relations between the two countries are growing year after year, though it is in India's favour (Embassy of Nepal 2017).

The following table shows the volume of Nepal's annual trade with India:

	2008- 09	2009- 10	2010- 11	2011- 12	2012- 13	2013- 14	2014- 15	2015- 16
Export	4100.6	3999.4	4336.0	4961.6	5100.0	5961.4	5586.5	3949.4
Import	16243.8	21711.4	26192.5	29939.0	36703.1	47794.7	49165.6	47721.3
Balance	12143.2	17712.1	21856.5	24977.3	31603.1	41833.3	43579.1	43771.9
Volume	20344.4	25710.8	30528.6	34900.6	41803.1	53756.1	54752.1	51670.6
Share in %	57.8	59.1	66.3	65.1	66.0	66.7	63.7	61.2

Note: Amount in Ten Million Nepalese Rupees

Source: Economic Survey 2015-16, Ministry of Finance, Government of Nepal.

India is also a major source country of Nepal's foreign direct investment. Government of India provides substantial financial and technical development assistance to Nepal, which is a broad-based programme focusing on creation of infrastructure at the grass-root level, under which various projects have been implemented in the areas of infrastructure, health, water resources, education and rural & community development. The Indo-Nepal Economic Cooperation program has an outlay of over NRs. 7600 crores with more than 529 large and small projects, completed or currently being implemented, in all districts of Nepal. These developmental projects, undertaken in response to local needs and in partnership with Government of Nepal, are in the sectors of education, health and infrastructure development. Projects with a total outlay of less than NRs 5 crore are termed as Small Development Projects (SDPs). The Governments of India and Nepal signed an agreement in 2003 for GOI financial assistance for SDPs, which had been renewed in 2006, 2008 and 2011. Separate MoUs have been signed for big projects viz. Construction of Roads, Railway Lines, Bridges, River Embankment Programs, Integrated Check Posts, Polytechnics, Hospitals, etc. (Consulate General of India 2017). During the FY 2016-17, a total of around 18 intermediate and large projects are under various stages of implementation in Nepal. These include creation of a Nepal Bharat Maitri Dharamshala at Pashupati area at Kathmandu; construction of a Polytechnic at Hetauda, providing Indian faculty support to BP Koirala Institute of Health Sciences at Dharan, Installation of 2700 shallow tube wells in various districts across Nepal etc. (Ministry of External Affairs 2017).

Water Cooperation

Of all the issues that Nepal and India have to deal with, water resources is not only the most important one, but also the one that

has become a sensitive matter. More than 6,000 rivers exist in Nepal with a combined run-off of about 200 billion cubic metres. All the river systems in the country finally end in the Ganges. These rivers contribute 46 per cent of the flow in the Ganges. In the lean season, their contribution to the flow of the Ganges increases to 71 percent (Dhungel 2009). Geographically, India is Nepal's best customer for the sale of its hydro-electricity. Nepal can benefit by the optimum utilization of its water resources, and in return fulfill some of India's energy requirements. The shared benefit will not only improve Nepal's trade deficit with India but help it become self sufficient in energy. Nepal's four big rivers Koshi, Gandaki, Karnali and Mahakali are snow-fed and flow in the lean season. Cooperation in the power sector, on these four big rivers, can greatly help both to meet their requirements during high demand seasons. Other benefits that can accrue from the construction of hydro-power dams are flood control and irrigation (IDSA Task Force Report 2010).

Cooperation in water resources primarily concerning the common rivers is one of the most important areas of the bilateral relations and has immense potential. These rivers have the potential to become major sources of irrigation and power for Nepal and India, but without planning, are a source of devastating floods in Nepal's Terai region, and the Indian States of Bihar and Uttar Pradesh. Both countries have recognized the importance of cooperation in this field and decided to inject a new dynamism by establishing a three-tier bilateral mechanism at the Ministerial (Joint Ministerial Level Commission on Water Resources- JMCWR), Secretary (Joint Committee on Water Resources- JCWR) and technical (Joint Standing Technical Committee- JSTC) levels to oversee the entire gamut of cooperation in water related issues in 2008. The three-tier bilateral mechanism established in 2008, to discuss issues relating to cooperation in water resources and hydropower between the two countries, has been working well (Ministry of External Affairs 2017).

Defense Cooperation

Nepal since long has been buying weapons from India under the Nepal-India Peace and Friendship Treaty of 1950. Article 5 of the treaty mentions Nepal shall be free to import arms from third country but needs consultation with Indian government. Nepal and India's military has a "very deep and vast relationship". India and Nepal

hold strong and special military ties. Nepal Army has heavily depended on Indian arms and ammunition. Since 1965, both the countries have been practicing conferring the title of “honorary general” to Army Chief of both the countries. The two armies have been exchanging goodwill visits since 1950 when the then Chief of Indian Army, General Kodandera Madappa Cariappa visited Nepal. Since then, Indian Army Chiefs visited Nepal while Nepal Army chiefs have visited the southern neighbor. Following the six-decade-old tradition, President Bidya Devi Bhandari conferred the rank of honorary General of the Nepal Army on visiting Indian Army Chief General Bipin Rawat amidst a special ceremony at Sheetal Niwas, Kathmandu on 29 March 2017 (*Kathmandu Post* 2017).

India has played a leading role in helping the Nepalese Army in its modernization through provision of equipment and training. About 250 training slots are provided every year for training of Nepal Army personnel in various Indian Army Training institutions (Ministry of External Affairs 2017). The focus on enhancing military to military relations as part of ongoing defence cooperation between India and Nepal continues to be strengthened in various fields by providing defence equipment, training of persons of Nepal Army, through visits of medical teams, trekking teams and visit of senior officers. Capability enhancement of the Nepal Army is also being undertaken (Annual Report 2016-2017). Security cooperation between India and Nepal is proceeding well, owing to enhanced assistance in the form of training and equipment supply. Nepal has handed over several high-value terrorists/militants (Annual Report 2014-2015).

Moreover, India and Nepal have a unique relationship. There are a large number of Gorkha soldiers serving in the Indian Army. The Gorkha Regiments of the Indian Army are raised partly by recruitment from hill districts of Nepal. Currently, about 32,000 Gorkha Soldiers from Nepal are serving in the Indian Army. During the year 2015-16, pensions in excess of INRs 1974 Crores (NRs 3158.4 Crores), were disbursed by the Indian Army to about 1,25,000 retired Gorkha Soldiers and civilian pensioners, who had served in the Indian Army and other Central & State Services. In the current financial year, pension in excess of INRs 1773 Crores (NRs 2836 Crores), has been disbursed, till 31 Dec 2016. In addition to Military Pension Branch Kathmandu, Pension Paying Offices Pokhara and Dharan, there are 22 District Soldier Boards in Nepal, all functioning under

the Defence Wing, Embassy of India, which arrange the disbursement of pensions and organize welfare programmes for re-training, rehabilitating and assisting ex-Gorkha Soldiers and their families. Indian Army organizes recruitment rallies for Gorkha Soldiers within Nepal for identifying and recruiting Nepalese citizens in the Indian Army. Since 1950, India and Nepal have been awarding Army Chiefs of each other with the honorary rank of General in recognition of mutual harmonious relationship between two Armies (Ministry of External Affairs 2017).

Recently, the 11th edition of joint military exercise 'Surya Kiran 2017' between India and Nepal was held from 7- 20 March 2017, in Pithoragarh (Uttarakhand) of India. The exercise was aimed at training troops in counter insurgency operations and enhancing defence cooperation and military relations between the two countries. It provided an ideal platform for the personnel of the two armies to share their experiences. The training was conducted in the hills adjoining Pithoragarh giving realistic environ to the contingents to practice and rehearse drills. The training culminated with a 48 hours outdoor exercise in which troops of both contingents carried out a cordon and search operation in a mock village. Besides training, troops also rubbed shoulders in friendly matches, spent spare time in local sightseeing and engaged in other traditional military activities. A customary exchange of mementoes marked the successful completion of this momentous 11th Indo - Nepal Joint Army Training (Ministry of Defence 2017).

Power Cooperation

Nepal and India have been engaged in cross-border power exchange/trade for many decades. India's ever-increasing energy requirements speak to its potentially most important interest in Nepal – the latter's largely untapped hydro-power capacity. There is vast potential for cooperation between India and Nepal in the field of water resources. India and Nepal have a Power Exchange Agreement since 1971 for meeting the power requirements in the border areas of the two countries, taking advantage of each other's transmission infrastructure. There are more than twenty 132 KV, 33 KV and 11 KV transmission interconnections which are used both for power exchange in the bordering areas and for power trade. An Agreement on 'Electric Power Trade, Cross-border Transmission Interconnection

and Grid Connectivity' between India and Nepal was signed on 21 October 2014. The agreement is aimed at facilitating and further strengthening cross-border electricity transmission, grid connectivity and power trade between Nepal and India. The Agreement provides a framework for power trade between the two countries, import by Nepal from India until it is power surplus and subsequently imports by Indian entities from Nepal, on mutually acceptable terms and conditions. Two mechanisms, Joint Working Group (JWG) and Joint Steering Committee (JSC) envisaged under the Agreement have been established. Joint Technical Team (JTT) formed for preparation of long-term integrated transmission plan covering projects up to 2035. The Fourth meeting of JWG/JSC was held in Kathmandu from 13-14 February 2017 (Ministry of External Affairs 2017).

In view of the various power projects being developed in Nepal, India and the Himalayan nation on 15 February 2017, agreed to lay down new cross-border transmission lines, including laying of new Butwal (Nepal)-Gorakhpur (India) and Lumki (Nepal)-Bareilly (India) transmission lines and setting up of new 400kV sub-stations at Dhalkebar, Butwal and Hetauda – all in Nepal, were discussed during the fourth meeting of JWG/JSC (*Business Standard* 2017). In the past few years, Nepal has increased power import from India to minimize load shedding hours especially during the dry season. The total energy import from India reached 1,758.41 GWh in 2015-16 as compared to the import of 1,369.89 GWh in the previous year (Annual Report 2016). In fact, hydropower trade between India and Nepal or India and Bhutan exists but in limited. While Bhutan has proven the economic benefits of exporting hydroelectricity to India, Nepal has yet to exploit this opportunity. Mired in internal political conflicts and fragile relations with its southern neighbor, Nepal has been unable to develop its ample hydropower resources to sell electricity to power-hungry Indians (Ebinger 2011).

Education Cooperation

Over the years India's contribution to the development of human resources in Nepal has been one of the major aspects of India-Nepal cooperation. Around 3000 scholarships/seats are provided every year by GOI through the Embassy of India, Kathmandu to Nepali nationals for undergoing various courses at the Ph.D/Masters, Bachelors and Plus-two levels in India as well as Nepal. These scholarships/seats

are provided for a wide spectrum of studies ranging from engineering, medicine, agriculture, pharmacology, veterinary sciences, computer application, business administration, music and fine arts, etc. Around 220 Scholarships are given for studying BE/B.Tech, B.Sc.(Agri), B. Pharma and B.Sc (Dairy Tech) under Compex Nepal Scholarship. Around 110 scholarships are there to undertake undergraduate courses such as BBA/BCA/ Others including 5 scholarships for undertaking Music/Fine Arts courses, three scholarships for studying Hospitality and Management under General Cultural Scholarship Scheme. 120 Scholarships for undertaking post graduate courses in disciplines like MBA/MCA and other PG level courses, 10 seats for M.Sc (Ag) and 8 seats for Ph.D under Silver Jubilee Scholarship Scheme. With the aim of providing comprehensive and integrated training to in-service candidates of GoN/Public Sector nominees of GoN, 30 seats are allotted to Nepal under the Technical Cooperation Scheme (TCS) of the Colombo Plan and 220 seats for employees of GON & public/private sector under the Indian Technical and Economic Cooperation (ITEC) Programme. The Golden Jubilee Scholarship Scheme was implemented for the first time in 2002-03 under which 200 scholarships are awarded to Nepalese students studying in MBBS, BE/B.Tech and other undergraduate courses in Nepal. Under the Mahatma Gandhi Scholarship Scheme, initiated in 2003-04, 2000 scholarships are being provided every year to students of Class-XI and XII studying in Nepal. The Dr. Homi J. Bhaba Scheme launched in 2004-05, provides 40 scholarships to Nepalese students for studying ME/M.Tech in India. Under a new scheme, implemented in 2005-06, 33 Nepalese students are provided scholarships for studying in Army Public Schools, in India. Bharat-Nepal Maitri Shiksha Karyakaram is a short-term course for undergraduate and post-graduate students of Nepal. The programme was launched recently to provide opportunities to the young minds to better understand different facets of life in India and India-Nepal relations and progress made by the country in various fields. Calcutta University was chosen to host the first batch of students under this Karyakaram (Embassy of India 2017).

According to All India Survey on Higher Education (AISHE) 2015-16 report, the total number of foreign national students enrolled in India was 45,424. The top 10 countries of the foreign students constitute 62 percent of the total foreign students enrolled. Rest of the 38 students comes from remaining 155 countries. Highest share

of students come from the neighboring countries of which Nepal is 21 percent of the total, followed by Afghanistan 10 percent, Bhutan 6 percent, Nigeria 5 percent, Sudan 5 percent, Malaysia 4 percent United Arab Emirates, Iran, Yemen and Sri Lanka each country constitutes 3 percent of the foreign students (AISHE Report 2015-16).

Social and Cultural Cooperation

Nepal and India share special closeness and similarity in cultural tradition. Social and cultural ties have been enhanced by open border with no restrictions on the movement of people on either side. Ethnic and linguistic similarities exist along the Nepal-India border both in the south plains and hills in the east and west. The role of religious centres of pilgrimage for both Hindus and Buddhists in both countries has been responsible for strengthening the social and cultural bonds between the two countries. When health infrastructures in Nepal were not developed, a large number of people from the Terai as well as from the hills used to go to hospitals in India across the border. Language is yet another component of Nepal-India cultural affinity. Peoples in both countries share many languages. Such common languages include, inter alia, Nepali, Maithili, Bhojpuri, Hindi, Avadhi, etc. Sanskrit is the root of many of these languages, which is regarded as the language of the gods and saints. Nepal and India both use Devnagari script in writing Nepali, Hindi and many other common languages. Many a religious texts, including the Vedas, Upanishads, Puranas, Tripitak, are written in this script (International Journal of Humanities and Social Science Research 2016).

Government of India initiatives to promote people-to-people contacts in the area of art & culture, academics and media include cultural programmes, symposia and events organized in partnership with different local bodies of Nepal, as well as conferences and seminars in Hindi. An Indian Cultural Centre was set up in Nepal in August 2007 to showcase the best of Indian culture not only in the capital city but in the areas outside Kathmandu. The Indian Cultural Centre in Kathmandu has generated considerable goodwill through the various cultural events it has undertaken in the past. The Nepal-Bharat Library was founded in 1951 in Kathmandu. It is regarded as the first foreign library in Nepal. Its objective is to enhance and strengthen cultural relations and information exchange between India and Nepal (Ministry of External Affairs 2017).

Moreover, the B. P. Koirala India-Nepal Foundation (BPKF) established in December 1991 by the two governments through a Memorandum of Understanding (MoU) aims at promoting cultural linkages between India and Nepal by fostering art, literature, intellectual discourse and a host of multi-dimensional aspects pertaining to the culture and livelihood of both nations. Over the years, the Foundation has undertaken a host of activities in the fields of poetry, cinema, music, research projects, seminars and academic exchanges. On 1 March 2017, the BPKF organized a talk program with Major General (Retd) Dipankar Banerjee on 'Nepal-India and Future of South Asia' at the Nepal Bharat Library, NAC Building, New Road. The programme was attended by Nepalese youths and students. Maj. Gen. Banerjee held an engaging interactive session with the participants and discussed about the potentiality of Nepalese youths in South Asia. Talking about the relation of 'equal brothers' between India and Nepal, Maj. Gen. Banerjee urged both countries to identify and meet together the common goals and challenges (BPKF 2017).

China Factor in Nepal-India Relations

Indian engagement in Nepal since the 1950s has been mainly in three areas: (1) managing the shared rivers; (2) increasing connectivity; and (3) capacity building. Contrary to India's wide-ranging engagement, the Chinese engagement in Nepal is focused, security oriented and based on the design of 'balancing'. China's core interest in Nepal has been twofold: (1) to curb any anti-China activities by the 20,000-strong Tibetan refugees in Nepal; and (2) to increase its influence along the India-Nepal border and the Terai region. Chinese efforts seem to be designed to meet its own over-arching security interests, including threats from across the border and balancing India's perceived influence in Nepal. Critics believe that China's use of coercion and its myopic focus on Tibetan issues in Nepal suggests that China's relations with Nepal will become more complicated in the future (Contemporary South Asia 2012). Due to China's rising interest and influence in South Asia, India appears perplexed. Hence, it has changed its foreign policy gesturing. With the election of Narendra Modi as the Indian Prime Minister, New Delhi has given highest priority to its South Asian neighbours. Inviting the heads of the South Asian countries during his swearing-in ceremony and

making his first foreign visit to Bhutan and later to Nepal are the clear indications in those directions (IPCS 2014).

In the meantime, amid protests, Nepal adopted a constitution on 20 September 2015. But the new Constitution deeply alienated much of Nepal's southern plains and the Madhesi people there, who have said that it dilutes their representation. Ethnic Tharus in western Nepal also strongly objected to the provincial boundaries. "It's a black day for us," said Rajendra Mahato, a leader of the Unified Madhesi Democratic Front (UDMF), an umbrella organized of Madhesi parties (*New York Times* 2015). Protesting against the adoption of the new Constitution, the Madhesis had blockaded border points with India from 23 September 2015 and only ended the blockade on 5 February 2016, after 135 days. According to partial data compiled by the South Asia Terrorism Portal (SATP), 32 persons, including 29 civilians and three Security Force (SF) personnel, were killed in blockade-related violence (South Asia Intelligence Review 2017).

The Nepal government called it an undeclared Indian blockade; it systematically raised the anti-Indian nationalism sentiment; it tried to cosy up to China and uses it as an alternative source of supplies, but with little success (*Hindustan Times* 2016). The blockade sparked severe shortages of gas, medicines and other vital supplies and forced Nepal to turn to its only other neighbour, China for emergency fuel and has created space for China. Following months of frosty relations with New Delhi, traditionally the sole supplier of fuel to landlocked Nepal, fuel-strapped Nepal received 73.5 metric tonnes of petrol from China for the first time on 2 November 2015. Twelve trucks carrying petrol from China entered Nepal through Rasuwagadhi trading point (*Business Standard* 2015). Further, during a visit by Nepali Prime Minister K.P. Sharma Oli to Beijing, on 21 March 2016, Nepal secured a deal for China to supply it with fuel, as the energy-starved Himalayan nation seeks to deepen ties with Beijing and reduce its reliance on India (*Economic Times* 2016).

Recent high-level political interactions have established a high degree of political trust, as demonstrated by the signing of a memorandum of understanding (MoU) with China's Belt and Road Initiative (BRI) on 12 May 2017, at the Ministry of Foreign Affairs in Singhadurbar, Kathmandu. On the occasion, Minister for Foreign Affairs Prakash Sharan Mahat said that the MoU is an important

moment in the bilateral relation between the two countries (*Republica* 2017). Further, on 4 June 2017, Nepal's Energy Minister Janardan Sharma signed an agreement for the China Gezhouba Group Corporation (CGGC) to build the largest hydroelectric plant, the 1,200 megawatt Budhi-Gandaki hydroelectric project (*Daily Star* 2017). To assess the progress made in the implementation of agreements/MoUs reached between the two sides in the past, on 20 June 2017, the 11th meeting of Joint Consultation Mechanism between Nepal and China was held at the Foreign Ministry in Kathmandu. On the occasion, the Nepali side expressed hope that cross-border connectivity, infrastructure development, diversification of Nepal's trade, promotion of investment and tourism would receive priority in the implementation of the MoU on cooperation under the BRI (*The Himalayan Times* 2017).

Although the BRI offers tremendous opportunities to Nepal, it has several challenges as well. India is alarmed by China's plan to extend the Qinghai-Tibet Railway line to Kathmandu and further to Lumbini, which is 17km from the Indian border. It is equally concerned due to other infrastructure projects being proposed along the Nepal-China border. In response to China's Qinghai-Tibet Railway, India proposed to build six rail links with Nepal that would be connected to the Indian railway grid: Raxaul, Joghani and Jayanagar in Bihar, India, to Birgunj, Biratnagar and Bardibas in Nepal. In Uttar Pradesh, India, it will connect Nautanwa and Nepalgunj and in West Bengal, India, it will connect New Jalpaiguri with Kakarbhitta. India, which has a strong influence on Nepal's foreign policy, officially abstained from the BRI Summit. It strongly opposed the BRI on grounds of sovereignty and other strategic concerns. This makes it a greater challenge for Nepal to taste the gains of BRI. Nepal also needs to address the genuine security concerns of both its neighbours, take them into confidence and build a favourable environment. Else, for Nepal, the BRI will remain a dream of prosperity than prosperity itself (IPCS 2017).

In fact, China's Nepal policy needs to be viewed within the context of China's regional policy towards the entirety of South Asia. China's South Asia policy is mainly aimed at containing India, favouring a balance of power approach. This is evident from China's bolstering of Pakistan's nuclear programme intended towards increasing the capabilities of the main rival of India in South Asia. Thus, for China

the main ally in South Asia is Pakistan. In recent years, China has also engaged in closer ties with other states in South Asia, such as Bangladesh, Sri Lanka and India's Southeast Asian neighbour Myanmar (Strategic Analysis 2016). China's interest and involvement in Nepal are perhaps greater than Beijing claims, but also significantly more modest than India fears. The Chinese leaders are aware of the fact that India is a bigger market for them and they encourage Nepali leaders to establish good ties with India. Recent developments in Nepal, despite their sound and fury between 2006 and today have brought about no fundamental change in Nepal's foreign policy options. It remains "caught between two boulders" and must learn to make the best of this situation. Nonetheless, the anti-India resentments of Kathmandu's hill-elite and China's growing influence "have the potential to neutralise some of Delhi's natural strategic advantages in Nepal" over the longer term (ISAS Insights 2016).

Conclusion

Given the geographical reality, Nepal is economically more dependent on India than any other country. Around 60 per cent of Nepal's economic engagements are with India. India has been a major facilitator in Nepal's economic development. There are, however, some irritants between the two countries. India's security interests in Nepal are both exogenous and endogenous. If India's notion that the Himalayas are its northern security frontier is the exogenous element, Nepal's lack of ability to maintain internal peace and to ensure border security leads to endogenous security problems for India. Maintaining internal peace and border security has been a huge challenge for Nepal. The management of the Nepal-India open border is also a constant source of distress for the Indian security establishment. The longer and more porous the border, the more difficult it becomes to stem the wave of cross-border crimes. Nepal and India share a long, open and largely unguarded border of more than 1,850 km, which has become a source of perennial security concern for both countries.

India's predominant influence is felt across the South Asian region, more so in Nepal. Nonetheless, the perception of direct or indirect Indian interference in Nepal's domestic political matters has had a negative impact on the Nepal-India relationship. There is deep-seated suspicion in Nepal that India has an extraordinary influence on

Nepalese politics. It has tremendous leverage over political forces to sway Nepalese politics in one direction or another. Thus, New Delhi is perceived to be influencing the debate on federalism in Nepal in its own way. Thus, China has always been an important neighbour to Nepal which has otherwise historically been heavily influenced by India. The 'rise of China' has created a more outward-looking Middle Kingdom and so its influence in Nepal has significantly increased within the last decade. As a consequence, Nepal is experiencing growing interest from China.

China's extensive overtures in Nepal are motivated not just by the former's attempts at stabilising the TAR; China also has interests in keeping a check on India's rising capabilities. Given this reality, China's increasing influence in Nepal has implications for Sino-Indian relations as well. Hence, China's rise is likely to induce dynamic strategic changes in South Asia. As was presented in the case of Nepal, the Himalayas no longer serve as a geographic barrier for China. In fact, it has made inroads into South Asia, a region over which India traditionally maintained extensive influence. The Chinese are practitioners of *realpolitik* and national security interests are high on their agenda, hence the desire to establish a regional balance of power. Nevertheless, a relationship that builds on similarities in history, culture and social ethos may prove more durable than one based on contractual, economic and strategically beneficial parameters, and therefore a democratic, progressive and economically stronger India may emerge as the winner overshadowing the so-called China factor in India-Nepal relations.

References

- Amid Protests, Nepal Adopts Constitution, Bhadra Sharma and Nida Najar, *New York Times*, September 20, 2015.
- B. P. Koirala India-Nepal Foundation (BPKF), *Voices with Major General (Retd) Dipankar Banerjee*, March 2, 2017.
- Chand, Bibek and Lukas K. Danner, Implications of the Dragon's Rise for South Asia: Assessing China's Nepal Policy, *Strategic Analysis*, Vol. 40, No. 1, 2016, pp 26-40.
- Chaturvedy, Rajeew Ranjan, Structure and Resilience in India-Nepal Relations, *ISAS Insights*, No. 324 - 5, April 2016.
- Consulate General of India, *Economic Cooperation*, Birgunj, Nepal. (Accessed on May 23, 2017)

- Dhungel, Dwarika Nath, 'Historical Eye View', in Dwarika N. Dhungel and Santa B. Pun (eds.), *The Nepal-India Water Relationship: Challenges*, Springer, 2009.
- Ebinger, Charles K., *Energy and Security in South Asia: Cooperation or Conflict?*, Brookings Institution Press, Washington, 2011.
- Embassy of Nepal, *Nepal-India Relations*, New Delhi. (Accessed on May 23, 2017)
- Embassy of Nepal, *Press Release issued by Embassy of Nepal in New Delhi regarding the meeting between Hon. Deputy Prime Minister and Minister for Foreign Affairs Mr. Kamal Thapa and Her Excellency Minister of External Affairs of India Smt. Sushma Swaraj*, New Delhi, December 2, 2015.
- Embassy of Nepal, *Press Release issued by Embassy of Nepal, New Delhi on the State Visit of The Rt. Hon. Prime Minister Mr. K. P. Sharma Oli to the Republic of India*, New Delhi, February 20, 2016.
- Embassy of Nepal, *Rt Hon President's Meetings with Indian Leadership*, Press Release, New Delhi, April 18, 2017.
- End of the Madhesi blockade: What it means for Nepal, Prashant Jha, *Hindustan Times*, February 06, 2016.
- IANS, India, *Nepal agree to build new cross-border power lines*, *Business Standard*, February 15, 2017.
- IDSIA Task Force Report, *Water Security for India: The External Dynamics*, Institute for Defence Studies and Analyses, New Delhi, 2010.
- Indian Army Chief Rawat conferred honorary NA General, *Kathmandu Post*, March 29, 2017.
- Jaiswal, Pramod, *China in Nepal: Increasing Connectivity Via Railways*, South Asia Article No. 4684, *IPCS*, 6 October 2014.
- Jaiswal, Pramod, *Seizing 'The Belt and Road' Opportunity: Challenges for Nepal*, China Article No. 5307, *IPCS*, 23 June 2017
- Ministry of Defence, *Annual Report 2014-2015*, Government of India
- Ministry of Defence, *Annual Report 2016-2017*, Government of India
- Ministry of Defence, *Indo - Nepal Joint Exercise Surya Kiran Terminates*, Press Information Bureau, Government of India, March 21, 2017.
- Ministry of External Affairs, *India-Nepal Relations*, Government of India, February 2017.
- Ministry of External Affairs, *Joint Statement during the State Visit of Prime Minister of Nepal to India*, Government of India, April 07, 2018.
- Ministry of External Affairs, *India-Nepal Joint Statement during the State Visit of Prime Minister of India to Nepal*, Government of India, May 12, 2018.
- Ministry of External Affairs, *Joint Press Statement on the Visit of the Prime Minister to Nepal*, Government of India, August 4, 2014.

- Ministry of Foreign Affairs, *Joint Statement on the State visit of Prime Minister of Nepal, Rt. Hon'ble Mr. Pushpa Kamal Dahal 'Prachanda' to India*, Government of Nepal, September 16, 2016.
- Ministry of Foreign Affairs, *Remarks by the Rt. Hon'ble Pushpa Kamal Dahal "Prachanda" at the BRICS-BIMSTEC Outreach Summit, Goa, India*, Government of Nepal, October 16, 2016.
- Ministry of Human Resource Development, *AISHE Report 2015-16*, Department of Higher Education, Government of India.
- Muni, S.D., *India and Nepal : A changing relationship*, Konark Publishers, Delhi, 1992.
- Nepal agrees fuel deal with China to, curb reliance on India, AFP, *Economic Times*, March 24, 2016.
- Nepal DPM Nidhi meets Sushma Swaraj in New Delhi, *The Himalayan Times*, August 19, 2016.
- Nepal Electricity Authority, *Annual Report 2016*.
- Nepal officially signs OBOR, Dipesh Shrestha, *Republica*, May 12, 2017.
- Nepal receives 1st consignment of petrol from China, Press Trust of India, *Business Standard*, November 2, 2015.
- Nepal, China sign mega hydropower agreement, Afp, *Daily Star*, June 06, 2017.
- Nepal-China Joint Mechanism reviews status of bilateral relations, Rastriya Samachar Samiti, *The Himalayan Times*, June 20, 2017.
- Prime Minister's Office, *Outcomes during the visit of Prime Minister to Nepal*, Press Information Bureau, Government of India, November 27, 2014.
- Rashtrapati Bhavan, *Media Statement by the President of India upon the conclusion of his state visit to Nepal*, The President of India, November 04, 2016.
- Reeves, Jeffrey, China's Self-Defeating Tactics in Nepal', *Contemporary South Asia*, Vol. 20, No. 4, 2012, pp. 525-531.
- Shastri, Rajesh Kumar; Abhishek; Nikhil Yadav; Cross Border Cooperation between India and Nepal in Context to SAARC, *International Journal of Humanities and Social Science Research*, Volume 2; Issue 3; March 2016; Page No. 51-54.
- Singh, S. Binodkumar, Nepal: Unending Impasse, *South Asia Intelligence Review*, Volume 15, No. 37, March 14, 2017.

Chapter 2

Looking Beyond Aid in Australia- Nepal Relations

Asha Sundaramurthy

Australia is an island continent placed geographically between the Indian and Pacific Oceans, with its western end facing South Asia, the northern shores adjacent to Southeast Asia and the eastern front facing the Pacific Island countries. Nepal, in contrast is a landlocked country situated between two large civilizational powers: India and China. Bilateral relations between such remotely positioned countries should have been an unlikely possibility, yet Nepal and Australia established diplomatic ties as early as 1960. While the scope of relations are admittedly limited and predominantly been analysed under the purview of financial aid moving from Canberra to Kathmandu, there are also underlying strategic aspects to the bilateral ties that are less explored.

With recent years seeing a greater Australian presence in South Asia, the bilateral relationship has benefited from deeper engagement beyond mere aid assistance. This chapter will be in two sections, with the first part analysing the existing facets of the Australia and Nepal relationship, primarily but not restricted to foreign aid and development. The second part of the paper illustrates the growing convergences between Australia and Nepal in their strategic considerations of rising powers, particularly that of India and China that is less explored in existing literature. With Australia's growing South Asia presence as well as the shifting geopolitical lens towards Asia, this chapter examines the nature of Australia and Nepal's ties in the existing framework of aid relationship, as well as the strategic angle and the implications it has for the region.

The Spheres of Nepal-Australia Engagement

Nepal has fundamental tenets tied to its foreign policy that range from an adherence to international law, respecting the five principles of peace and co-existence enshrined in Panchsheel, a commitment to the policy of non-alignment and striving to abide by the principles of the UN Charter (Muni 1973:33-66) (Nepal Foreign Affairs 2014). Australia's foreign policy reflects a similar observance to international principles, although differences emerge in its positive alignment towards USA and interests in preserving the liberal order of the West (Wesley 2011). Despite the US alignment, Canberra has growingly occupied a more neutral position in its foreign policy that mirrors the desire for strategic autonomy correspondingly displayed by countries with a policy of non-alignment (Medcalf 2014). The increasing awareness of the strategic utility of non-alignment in Canberra has led to more flexible approaches in interacting with Nepal, particularly as Australia faces parallel dilemmas in its engagement with USA and China.

The first establishment of bilateral ties between Nepal and Australia occurred in 1960, following the setting up of Nepal-USA diplomatic ties in 1959. Australia followed the US example in instituting a diplomatic mission in Kathmandu. Australia was to provide additional aid to Nepal at the time, to offset the communist influences in the country (Malla 2012: 32). The involvement of Australia in South Asia during the Cold War was perfunctory as compared to its active involvement in battling communism in Southeast Asia. Even the Australian aid granted to Nepal did not occupy the top bracket of donors to the country (Bhattarai 2009). Canberra instituted a residential embassy in Nepal in 1984 as Chargé d' Affaires that was enhanced to Ambassadorial level in 1986 (Ministry of Foreign Affairs Nepal 2014).

After the rapprochement with China in 1972, the Western perceptions of Nepal's geostrategic importance waned. Nevertheless, Nepal-Australia relations endured in the form of aid-donor relationship (Pyakuryal 2012). The continued relevance is displayed in Nepal being included in the list of the aid-recipient states in Australia's program for development cooperation in 1979, which saw exchanges of technology to implement activities to promote growth (Embassy of Nepal 2007).

Nepal-Australia relations have developed since the end of the Cold War to diversify beyond aid assistance. Canberra has expanded ties in the areas of tourism and education to promote bilateral engagement. In the field of education, Australia provides scholarships to Nepalese-origin students such that private students currently occupy 35 percent of the diaspora (Consulate General of Nepal 2014). According to the Department of Foreign Affairs and Trade (DFAT) of Australia (2017b), educational awards are provided to Nepalese students in the fields of agriculture, environment, infrastructure, health and governance that have the objective to develop the individual capacities to contribute to the development of Nepal.

Tourism is another notable area where increasingly larger numbers of exchanges have occurred. Australian investments have been oriented towards boosting tourism with the aviation industry being presented with helicopter service and hot air ballooning (Embassy of Nepal 2007). There are also active Nepal-Australia Friendship societies, which seek to promote and keep bilateral relations relevant even as the group predominantly acts to facilitate development aid to Nepal (Consulate General of Nepal 2014).

The trade between Nepal and Australia has also seen gradual increase since its initial establishment. Australian exports to Nepal reached a peak in 2009 with AUD 17 million that was a result of increased engagement with South Asia after Australia received observer status in the SAARC (Dahal 2011). However, the following years saw a decline in trade as the focus shifted back into the East Asia with the escalation of maritime disputes surrounding the South China Sea. However, a renewed interest in South Asia is evident with increasing bilateral trade flows from 2015 onwards which has maintained a steady consistency rather than declining (Australian Bureau of Statistics 2016). According to the Department of Foreign Affairs and Trade (2017b), the bilateral trade reached USD32 million in 2014-2015 with Australian exports including food and beverages such as oil seeds, animal oils, vegetables and non-electrical engines while Nepal's primary exports being textile-based such as shawls, hand-made carpets, floor coverings, clothing and jewellery. While Nepal-Australia relations are growing beyond the parameters attributed to aid, official development assistance (ODA) is the primary aspect of bilateral ties and is the basis through which cooperation occurs in other fields of engagement.

Aid in Nepal-Australia Relations

The area of financial assistance and aid is perhaps the most developed aspect of Nepal-Australia relations. Since its independence, Kathmandu has consequently received copious amounts of aid from USA, India, China, Russia, and Europe. As a result, Kathmandu has received copious amounts of aid since its independence from USA, India, China, Russia, and Europe. Australia was also a part of this but the volume of the aid was comparatively less in comparison to the other donors (Roy 1991). Despite the sustained and continuous financial assistance received by Nepal, development experts have criticised the paradox of large amounts of financial aid failing to produce tangible results of translating into resilient economic development (Manor 2007: 17) (Dahal 2011).

The problems of financial aid in Nepal reflect the existing debate on the effectiveness of aid in promoting economic growth, especially as it is one of the largest recipients from the donor states. In the multitude of studies conducted on how to maximise the efficiency of aid, economists such as Stephen Knack (2001), Michael Maren (1997) and Kishor Sharma (2006) claim that excessive aid can have repercussions of escalating political instability or hinder political reform as corrupt ruling elites are further entrenched in positions of power that undermines the governance mechanisms in institutions. As the increasing consensus in donor countries was that weak governing institutions obstructed the constructive use of aid and further retarded economic growth, Jeffrey D. Sachs (2005), Henrick Hansen & Finn Tarp (2000) challenged this view by convincingly presenting that aid from developed countries, in fact, did increase investment and economic growth opportunities in the recipient country. As a result, the end of the Cold War saw the presenting of aid attached with increasing conditions of institutional reform as studies conducted by the World Bank (2000) concluded that financial assistance is effective with a combination of sound economic policy, good governance and institutions that were geared to make politicians and interest groups accountable to the public.

Nepal's geographical position of being located in-between India and China has made it the recipient of strong interest by the donor community. The aid inflows from external powers such as USA and the Soviet Union raised concerns with regional powers India and

China that compounded flow of aid for Kathmandu (Bhattarai 2009). The nature of the aid for much of the Cold War period was based on the strategic interests of larger powers without much regard for improving the poor institutional capacity. As a result, despite the high levels of aid inflows to Nepal, the effective implementation of the funds has been unsuccessful and continues to be one of the poorest countries of the world (Sharma & Bhattarai 2013). Bhattarai's work (2009) on the nature of foreign aid flows to Nepal showcase how the policy environment also plays a large role in determining aid effectiveness where prior studies were largely descriptive and focused on institutional capacity (Khadka 1994; Mihlay 1965). Bhattarai's studies (2009) indicate that while the contribution of aid in economic growth might not be visible in shorter time frames of analysis, better results of positive linkages between aid and GDP are visible when using longer time frames of study.

Australia has been regarded as amongst the most generous donors of the developed countries, however, the flow of aid gradually lessened with the end of the Cold War. Nevertheless, aid remained an important part of Australian foreign policy in providing official development assistance to poor countries that do not have the requisite economic capacity to develop without external aid (Corbett 2017). Though the volume of Australian aid has been substantial, AusAid figures demonstrate that the largest share of the funds were directed primarily to the Pacific region and East Asia, followed secondly by South and West Asia (*The Guardian* 2013) (Department of Foreign Affairs and Trade 2017). Despite criticisms about the lack of effectiveness of aid to the developing countries, Australia persisted in its policy of aid, particularly as it facilitated national interests and increased Canberra's sphere of influence (Corbett 2017:17-18). In 2014, Canberra formulated and published a new aid policy called the 'Australian aid: promoting prosperity, reducing poverty, enhancing stability' and a new framework to make the aid accountable called 'Making Performance Count: enhancing the accountability and effectiveness of Australian aid' (Department of Foreign Affairs and Trade 2017b). The improved framework for aid provision was also implemented in Nepal; to ensure that the official development assistance provided was accountable to the objective it was presented.

Australia's relationship with Nepal for aid correlates to Bhattarai's (2009) category of a longer term aid-donor relationship, however,

the volume of aid saw fluctuations due to the tense political situations in Kathmandu and Canberra's strategic focus on the Asia-Pacific. The documentation of Australian aid to Nepal has become more detailed after 2009; especially as there was an effort to ensure that the official development assistance is effectively used for promoting human development while also strengthening institutions promoting economic growth (Department of Foreign Affairs and Trade Australia 2017c). Canberra is particular that the aid presented to Kathmandu is focused on private sector growth to enable better business environments, while also directing a portion of its ODA in enhancing sectors of education and health. Australia's ODA has been oriented towards increasing employment and education access while improving health indexes in the country (Department of Foreign Affairs and Trade Australia 2017c).

Canberra also funded and established hydro-energy projects in Nepal since the Memorandum of Understanding (MOU) signed bilaterally in 1994. Nepal has also received private sector growth assistance from Canberra that rose after the MOU on development cooperation concluded bilaterally in 2003 (Embassy of Nepal 2007). The areas of focus for the initial areas for collaboration were environment, community development, health resources, governance and human rights. The objective of the aid was to address the root causes of poverty and underdevelopment in Nepal and has used multilateral mechanisms with other aid donors to facilitate its growth (Department of Foreign Affairs and Trade Australia 2017c) (Consulate General of Nepal 2014).

While the aid from Australia to Nepal gradually increased from 2009, there was a significant upsurge in assistance after the devastating earthquakes of 2015 that further pushed the country into poverty. Australia provided USD11.9 million for immediate humanitarian relief while further contributing USD16.7 million in subsequent years for longer-term recovery (Department of Foreign Affairs and Trade 2015). The multiple aid programs of Australia such as the Australian NGO Cooperation Program and the Direct Aid Programme have focused on gender and social inclusion, with women-based development through education while strengthening governance delivery mechanisms (Department of Foreign Affairs and Trade 2017d). The aid program to Nepal has also been geared to disaster mitigation and management thereby facilitating better recovery mechanisms in the aftermath of the disastrous earthquakes

(Department of Foreign Affairs and Trade Australia 2017e). The period of the earthquakes saw a concerted effort by Australia to outline its aid objectives to Nepal that are geared to expand growth and employment opportunities, to assist government initiatives to improve policy implementation and aiding human development both through NGOs and the government to improve education and health. The aid program is monitored and evaluated on the effectiveness of achieving these objectives through an annual Aid Program Performance Report that provides a performance review (Department of Foreign Affairs and Trade Australia 2017b; 2017c).

Nepal's transition to democracy opened new avenues and increased existing inflows of aid. Australia introduced projects to combat diseases, improved civil aviation services, enhanced agricultural practices and livestock development. The volume of bilateral aid has increased since 2015 with focused aid to achieve specific targets of development in different sectors (Department of Foreign Affairs and Trade 2017b). The sectors that receive aid gets reviewed and revised periodically in the performance review, as demonstrated by Canberra's recent exit from health but new interest in the governance sector with the new constitution in 2015. According to the DFAT (2017c), Australia's contribution to sector-based approaches is done in coordination with other donor countries in order to deliver efficient and sustained development in Nepal.

Looking Beyond the Aid to Security

Nepal's location of being situated between India and China has made it the recipient of substantial aid over the course of the Cold War. India and China presented aid to Kathmandu competitively as a buffer to counter the influence of the other in the country. The competitive aid between India and China also had a cooperative angle that sought to offset the increasing presence of the Soviet Union and USA and its allies, of which Australia was also a part (Muni1973: 192). The relevance of Nepal being situated between India and China made it the recipient of one of the largest amounts of aid, that has continued in the post-Cold War era as Asia emerges as the centre of economic growth (Department of Foreign Affairs and Trade 2017d).

Nepal and Australia are notably different in their foreign policy postures and the fundamental values that determine their foreign policy. Australia is a country with a deep-rooted connection with the

West that attributes its national security to the continued existence of the liberal international order. The Western legacy and values that has geographically been linked to the Europe and North America is in stark contrast to Australia's geographic position of being adjacent to Asia (White 2008). This dilemma has been a fundamental point of concern for Australian national security since its inception, where its Western legacy was seen to be threatened by Asia that held vastly different values and was perceived to be the centre of instability for much of the years of the Cold War and afterwards. However, with the rise of Japan and China and the smaller Southeast Asian states near the end of the Cold War, Australia increased its constructive engagement with Asia (White 2008; Medcalf 2014).

Nepal follows non-alignment as a fundamental precept of its foreign policy strategy (Ministry of Foreign Affairs Nepal 2014). Despite the divergences in Nepal-Australia foreign policy, Canberra's foreign policy strategy has increasingly grown to resemble the strategic autonomy imbibed in Kathmandu's values, as Australia's economic dependency on China has increased in an environment of US-China competition (Medcalf 2014). As China uses its economic power as a tool in diplomatic negotiations, Australia has increasingly grown to take more neutral or mediating stances in international disputes, much like Nepal's strategy in Indo-China competition.

The rise of China in the new millennium has particularly been a point of strategic concern for the region, due to its communist legacy, budding economic and political influence, growing militarization and increasing assertiveness in disputes (Ferrall, Millar, & Smith 2005). The increasing power capabilities of China has increased apprehensions in surrounding countries such as Australia, ASEAN countries, USA and India on the possible impact it would have on regional stability. China is seen as a revisionist power seeking to alter the existing norms of international law and order, which has led to USA and its allies including Australia that preserve the existing status quo, to contain the extent of China's influence by reducing dependency of its surrounding Asian neighbours (White 2008). This is implemented through providing alternate sources of aid, in order to preserve autonomous decision-making in the foreign policy of the smaller state.

Nepal has figured into the strategic calculus of regional and external powers precisely in this facet of being the smaller nation

being surrounded by two giant civilizational powers. Nepal's geostrategic location of being between India and China that are also the drivers of the new era of Asian emergence has led to the increasing presence of external powers such as Australia into the South Asian region (Dahal 2011; Nayak 2014: 82). This is in order to offset and mitigate the rise of China and India and their mutual rivalries to maintain stability in the region while also seeking to limit an overriding influence on Nepal by the two bigger powers (Nayak 2014: 86). Nepal holds additional strategic importance as the headquarters of the South Asian Association for Regional Cooperation (SAARC) where Australia is currently holding an observer status (Smith 2008).

Australia as a resource rich country holds significant stakes with the rise of India and China as they are primary energy consumers. This has resulted in Canberra building strong economic ties with both the rising powers. In addition, Canberra's subsequent White Papers since 2009 (2009; 2016) have mentioned engaging India and China as essential, to shape the region in a framework that is beneficial to the surrounding countries. With the idea of the Indo-Pacific emerging in the new millennium and increasing geostrategic lens focusing on Asia, Australia has increased its South Asia presence since 2009 by enhancing aid flows to Nepal while building closer relations with India, the predominant player in South Asia.

The strategic value attached to Australia's aid to Nepal is visible in the documents outlining the nature of aid presented, where Canberra claims its presence in Nepal is strategically imperative to further its national interests (Department of Foreign Affairs and Trade Australia 2017c). In conjunction with its Defence White Papers (2009; 2016) that have periodically mentioned the rise of Asia as a crucial aspect of engagement for Australia's tactical calculus, Canberra's increasing presence in South Asia and Nepal can be seen as an extension of its strategy to participate in the outcomes of the region. Australia's observer status in the SAARC since 2009 holds particular relevance in demonstrating the increasing importance of South Asia in Canberra's strategic calculus (Smith 2008).

The growing Nepal-Australia engagement can also be attributed to the budding India-Australia relationship, which has facilitated Canberra's increasing presence in South Asia. With the conclusion of the AUSINDEX exercises between India and Australia in 2015, the

inclusion of Canberra as a regional player was affirmed (Brewster 2016). This also holds relevance to Nepal indirectly, as a landlocked country that uses Indian sea ports as an avenue for maritime trade. While Nepal's views on the Indian Ocean region are fairly noncommittal, the usage of Indian ports that has recently been expanded to include Chinese ports, means the Indian Ocean region rivalry and politics would affect its maritime trade (Dahal 2011). Nevertheless, since the volume of the maritime trade is slim, Nepal's views on the Indian Ocean region are symmetrical with Australia in seeking to maintain regional peace and stability (Brewster 2016; Dahal 2011).

Strategic Convergences between Nepal and Australia

Australia's foreign policy since the release of the Asian Century Paper (2012) has been geared to increase its participation in Asia, extending its presence beyond Southeast Asia to include South Asia. While the strategic considerations of this involvement can be ascribed to the concerns of the rise of China and India and the impact it would have on the regional system, Canberra has also benefitted economically from the Asian emergence. Consequently, Australia's positions in regional disputes are less rigid and more accepting of the national security concerns prevailing in Asia. As Australia's presence as a regional player grows in Asia, foreign policy analysts such as Brewster (2016), White (2008) and Medcalf (2014) in Canberra have increasingly taken a more mediating role to ensure order, peace and stability in the region. This role resembles the middle stance that is a fundamental facet of Nepal's own foreign policy.

Another point of convergence between Nepal and Australia is the common stance in perpetuating the existing liberal international order that adheres to following international law, maintaining peace and stability and promoting development (White 2008). This convergence gains relevance in the context of Nepal being adjacent to China, a country known for its aims to alter the international order to suit its own rise. According to international theory, it would be expected that Nepal would follow the ideas of a strong power such as China, but its simultaneous proximity to another rising power India that also seeks to preserve the status-quo and the presence of extra-regional powers such as Australia and USA has allowed Nepal to maintain its existing internationalist values. As Neumann and Gstöhl

(2004) claim, smaller states retain their ability to influence the global system by preserving their strategic autonomy and asserting their interests in international organisations, which Nepal has done effectively with its South Asian neighbours.

While the scope of convergences between Australia and Nepal is fairly limited, the Indo-China rivalry is a common point of intersection between the two nations. For Nepal, its national security is contingent on maintaining a non-aligned stature, in addition to benefitting from competitive aid from the rivalry. On the other hand, Australia's primary economic partner and cause of strategic anxiety is China while its ties with India are gradually growing in economic and strategic spheres. Therefore, Nepal and Australia do find the Indo-China competition advantageous to their foreign policy strategy. Nevertheless, both countries are reluctant to see the rivalry escalate to the point of conflict and adversely affect regional peace and stability.

Implications of Nepal-Australia ties for the Region

The Nepal-Australia ties are quite underdeveloped despite the building convergences; nevertheless, the growing presence of Australia in South Asia in recent years and closer relationship with Nepal has certain implications for the region. Despite Nepal's power capabilities being restricted as a smaller state, scholars such as Lindell & Perrson (1986) claim that this does not translate into the state being weak. This is demonstrative in the case of Nepal that has benefitted from high inflows of aid due to its prime geostrategic location. Even international theorists Keohane and Nye (1977) have argued that the question of smallness does not hold much utility in the international system, but rather to assess the power capability that is applied in a particular issue area. As a result, Nepal as a smaller state holds significant power specific to issues especially as a state wedged between two rising powers.

Nepal's power capability of utilising its geostrategic location has attracted extra regional players such as Australia to also participate in the region. Australia is regarded as a middle-capacity state in influencing the international system and in the context of India and China's rise, seeks to benefit and mitigate their growth corresponding with its own strategic interests (Medcalf 2014). Australia's strategic interests in South Asia are two-fold; the first to develop India's power

capabilities as a possible counter to China, and the second is to maintain regional stability by ensuring that the smaller states such as Nepal are able to preserve their strategic autonomy from the increasing influence of rising powers (Brewster 2016; White 2008; Medcalf 2014). However, Australia's strategic considerations for South Asia are symmetrical and follow the lead of the USA policy on South Asia. With the added caveat that the amount of Australian aid and investment in Nepal is marginal compared to the extra-regional powers such as USA, the DFAT Australia has outlined that the strategic output of the aid would follow the example of other donor states, which implicitly refers to the USA and its allies (Department of Foreign Affairs and Trade Australia 2017c).

At the regional level, the relations between Nepal and Australia do not by itself affect the system. However, an increase in the intensity of engagement will have the effect of simultaneously increasing China and India's engagement with Nepal separately. China's concerns of the Western nations seeking to surround its frontiers would lead to Beijing take the requisite action to establish its degree of influence in Nepal. In the case of India, the increasing external engagement in Nepal would raise concern as India regards South Asia as its legitimate sphere of influence. However, since the extent of Nepal-Australia relations is meagre and the level of Australian engagement could not be perceived as a security concern by China or India, unless clubbed with other extra-regional powers of the West.

Conclusion

The bilateral relations between Nepal and Australia that was established as early as 1960, has grown at a slow pace to currently include various spheres of engagement beyond aid to tourism and education. However, aid is the primary facet of the relationship where Australian aid to Nepal does not even enter into the top aid providers. Nevertheless, Australia-Nepal relations have taken an upward trajectory since Canberra's entry as an observer into the SAARC and the AUSINDEX exercises in 2015 that resulted in closer engagement in the aid assistance for the Nepal earthquake in 2015 (Bhattarai 2009).

The existing literature on Nepal-Australia relations have predominantly explored aid as an essential aspect of bilateral relationship, however, much of the aid analysis has been

predominantly descriptive. Like all aid presented to states, even the Australian development assistance to Nepal has strategic considerations that were examined in the chapter. Australia's increasing presence in South Asia and the enhanced engagement with Nepal has considerations of Canberra seeking to be a player in region. With the new power shift moving towards Asia, Australia has also shifted its interest beyond its immediate sphere of activity in East Asia to gradually enter into South Asia. However, as a middle-capacity state with allegiance to the West, Australia's participation in South Asia has been with the aim to promote regional peace and preserve the existing international order. Nepal being a state adjacent to China therefore enters into sharp relief as a state with strategic significance, as it not only cradles China, arguably the primary driver of the Asian emergence but also India, a rising power with the power capabilities to rival China.

Nepal employs various strategies to decrease high levels of external dependence despite being a small state that has scarcity in resources and power capabilities. A core aspect of its strategies is its favourable geographic location, which has added to its autonomy by opening multiple routes of development assistance, where Australia is also a participant. While the Nepal-Australia relationship has much room for improvement, the growing presence of Australia in South Asia demonstrates a potential for closer engagement in the bilateral relationship. Nepal-Australia relations has therefore progressed in recent years due to growing migration, tourism and development assistance that is buttressed by a growing acknowledgement of the strategic benefits of the bilateral relationship.

References

- *Australian Bureau of Statistics. (2016, October). *Merchandise Exports and Imports*. Retrieved June 4, 2017, from International Trade in Goods and Services Australia: Nepal: <http://www.abs.gov.au/ausstats/abs@.nsf/0/A5FB33BD2E3CC68FCA257496001547A1?OpenDocument>
- *Australian Government Department of Defence (ADF) 2009, *Defending Australia in the Asia Pacific century: force 2030: Defence Force white paper*, viewed 30 April 2016, http://www.defence.gov.au/whitepaper/docs/defence_white_paper_2009.pdf

- *Australian Government Department of Defence (ADF) 2016, 2016 Defence White Paper, viewed 30 April 2016, <http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf>
- Australian White Paper. (2012). *Australia in the Asian Century*. Canberra: Australian Government.
- Bhattarai, B. P. (2009). Foreign Aid and Growth in Nepal: An Empirical Analysis. *Journal of Developing Areas Vol 42, No. 2*, 283-301.
- Brewster, D. (2016, September 1). *Australia and India: Forging A Stronger Relationship*. Retrieved September 15, 2016, from Australian Institute of International Affairs: http://www.internationalaffairs.org.au/australian_outlook/australia-and-india-forging-a-stronger-relationship/
- Consulate General of Nepal . (2014, September 19). *Nepal- Australia Bilateral Relationship*. Retrieved June 9, 2017, from Consulate General of Nepal, Victoria, Australia: <http://nepalconsulate.net.au/nepal-aus-relations/>
- Corbett, J. (2017). *Australia's Foreign Aid Dilemma: Humanitarian Aspirations Confront Democratic Legitimacy*. London & New York: Routledge.
- Dahal, R. (2011). The Art of Survival: Policy Choices for Nepal. *Dhaulagiri Journal of Sociology and Anthropology Vol. 5*, 31-48.
- *Department of Foreign Affairs and Trade. (2015, May 10). *Australia's response to the Nepal earthquakes*. Retrieved June 9, 2017, from Department of Foreign Affairs and Trade, Australia: <http://dfat.gov.au/geo/nepal/Pages/australias-response-to-the-nepal-earthquakes.aspx>
- *Department of Foreign Affairs and Trade. (2017a). *Where We Give Aid*. Retrieved June 16, 2017, from Department of Foreign Affairs and Trade: <http://dfat.gov.au/aid/where-we-give-aid/Pages/where-we-give-aid.aspx>
- *Department of Foreign Affairs and Trade. (2017b, May). *Aid fact sheet: Nepal*. Retrieved June 1, 2017, from <http://dfat.gov.au/about-us/publications/Documents/aid-fact-sheet-nepal.pdf>
- *Department of Foreign Affairs and Trade. (2017d). *Overview of Australia's aid program to Nepal*. Retrieved June 8, 2017, from Department of Foreign Affairs and Trade Australia: <http://dfat.gov.au/about-us/publications/Documents/aid-policy-summary-doc.pdf>
- *Department of Foreign Affairs and Trade Australia. (2017c, January 10). *Aid Investment Plan Nepal: 2016-2020*. Retrieved June 8, 2017, from Department of Foreign Affairs and Trade: <http://dfat.gov.au/about-us/publications/Pages/aid-investment-plan-aip-nepal-2016-20.aspx>
- *Embassy of Nepal. (2007). *Nepal-Australia Relations*. Retrieved June 16, 2017, from Embassy of Nepal: <http://nepalconsulate.net.au/nepal-aus-relations/>

- Ferrall, C., Millar, P., & Smith, K. (2005). *East by South: China in the Australasian Imagination*. Wellington: Victoria University Press.
- Hansen, H., & Tarp, F. (2000). Aid Effectiveness Dispute. *Journal of International Development* 12, 3, 375-398.
- Keohane, R. O., & Nye, J. S. (1977). *Power and Interdependence: World Politics in Transition*. Toronto: Little, Brown and Co. .
- Khadka, N. (New Delhi). *Politics and Development in Nepal: Some Issues*. 1994: Nirala Publication.
- Knack, S. (2001). Aid Dependence and the Quality of Governance: Cross-Country Empirical Tests. *Southern Economic Journal* 68, 2 , 310-329.
- Lindell, U., & Perrson, S. (1986). The Paradox of Weak State Power: A Research and Literature Overview. *Cooperation and Conflict*, 21(2), 79-97.
- Malla, G. (2012). *Politics of Foreign Aid in Nepal, 1951-1980*. New Delhi: Adriot Publishers.
- (2007). James Manor. In J. Manor, *Aid That Works: Successful Development in Fragile States* (pp. 1-35). Washington D.C.: The World Bank].
- Maren, M. (1997). *The Road to Hell: The Ravaging Effects of Foreign Aid and International Charity*. New York: The Free Press.
- Medcalf, R. (2014). In defence of the Indo-Pacific: Australia's new strategic map. *Australian Journal of International Affairs* 68 (4), , 470-483.
- Mihaly, E. (1965). *Foreign Aid and Politics in Nepal*. New York: Oxford University Press.
- *Ministry of Foreign Affairs Nepal. (2014). *Nepal's Foreign Policy*. Retrieved June 13, 2017, from Ministry of Foreign Affairs, Nepal: <https://www.mofa.gov.np/foreign-policy/foreign-policy/>
- Muni, S. (1973). *Foreign Policy of Nepal*. New Delhi: Saraswati Printing Press.
- Nayak, N. R. (2014). *Strategic Himalayas: Republican Nepal and External Powers*. New Delhi: Pentagon Press and Institute for Defence Studies and Analyses.
- Nepal Foreign Affairs. (2014). *Nepal's Foreign Policy*. Retrieved June 18, 2017, from Nepal Foreign Affairs: <http://nepalforeignaffairs.com/nepals-foreign-policy/>
- Neumann, I. B., & Gstöhl, S. (2004). Lilliputians in Gulliver's World? Small States in International Relations . *Centre for Small State Studies: Working Paper1* , 1-24.
- Pyakuryal, B. (2012). Nepal. In S. Kelegama, *Foreign Aid in South Asia: The Emerging Scenario* (pp. 197-239). New Delhi: Sage Publications.
- Roy, K. (1991). Australia's Payments Deficit, Trade Pattern and its Trade and Aid Policy towards Low Income Asia and Africa. In H. Singer, N. Hatti, & R. Tandon, *Aid and External Financing in the 1990s* (pp. 287-315). New Delhi: Indus Publishing Company.

- Sachs, J. D. (2005). *The End of Poverty*. New York: Penguin Group.
- Sharma, K. (2006). The Political Economy of Civil War in Nepa. *World Development* 34, 7, 1237-1253.
- Sharma, K., & Bhattarai, B. (2013). Aid, Policy, and Growth: The Case of Nepal. *Journal of Economic Issues* Vol. XLVII No. 4, 895-910.
- Smith, S. (2008, August 5). *Australia invited as Observer to the South Asian Association for Regional Cooperation (SAARC) Summit*. Retrieved June 2, 2017, from Stephen Smith: Australian Minister for Foreign Affairs and Trade: http://foreignminister.gov.au/releases/2008/fa-s125_08.html
- The Guardian. (2013, August 22). Retrieved June 8, 2017, from The Guardian: <https://www.theguardian.com/global-development/datablog/2013/aug/22/australia-foreign-aid-spending-data>
- Wesley, M.(2011). *There Goes the Neighbourhood: Australia and the Rise of Asia*. Sydney: UNSW Press.
- White, H. (2008). Australia in Asia: Exploring the Conditions for Security in the Asian Century. In S. a. Yahuda, *International Relations of Asia* (p. 220). Maryland: Rowman and Littlefield.
- *World Bank. "Reforming Public Institutions and Strengthening Governance: A World Bank Strategy." Washington, D.C.: Poverty Reduction and Economic Management Network, October 2000. Available at www1.worldbank.org/publicsector/Reforming.pdf. Accessed August 2, 2011.

Chapter 3

Nepal-China Relations: Tortoise Motion Reaching Comprehensive Destination

Buddhi Sharma

Introduction

For one and half decades, there has been more discussion on Nepal-China relations in various fronts. Most of the experts on Nepal-China affairs opined common understanding on that China's non-interferences policy ultimately success to win heart and mind of Nepali people and also gradually made the comprehensive stand in Nepal. What most of the people in Nepal think that Indian establishment's non-pragmatic Nepal policy and unnecessary encroachments of European and American powers on Nepal affairs, compelled another neighbor China, to take non-interference but play something role policy on Nepal. China's changing posture on Nepal since one and half decade has been working realistically and India is losing trust at all front of Nepal. Indian establishment also understood that but it is not ready to change existing Nepal policy due to old mentality and also pressure from the European and American lobby.

Since one decade, there have been more literature publications on Nepal-China affairs. Establishment of think tank and arrangements of conference, workshop and forum meeting also increase in both countries. This researcher wonder while studying in China, there are large numbers of intellectual circles in China, who are following and studying the Nepal affairs. History shows that China never miscalculates and misjudges Nepal relations. Leo E. Rose's classic *Strategy for Survival* (1971) deeply studies the strategic importance of Nepal for China and he also tried to make cautions to Nepali rulers that it would be easy to handle Nepal's neighbor policy if they are

guided with parochial interests. It is not hard to understand from Rose's study that Nepal's sorrow and prosperity depend on managing and balancing the neighbor policy. Nepal and China relations have cultural, economic and political aspects. China's concern has normally been with maintaining her position on her side of the Himalayas and she has intervened on the other side only she perceives a threat to her security north of the mountains (Manandhar 1999).

Nepal and China though they maintained formal diplomatic relations in 1955, they had a long history of relationships in many dimensions: cultural tie-up, economic and trade relations and governmental levels exchanges. Nepal's Lichhavi and China's Tang dynasty had maintained a strong friendship and kept up trade and cultural exchanges. These kinds of relationship even maintained at the time of conflict between two countries on the issue of Tibet. It is said that the Chinese invasion of Nepal in 1792 was provoked by Nepal's aggressive policy toward Tibet (Ramakant 1976). In the first half of 19th century, a wish to appear non-aggressive in Chinese eyes was probably one reason for Lord Hastings returning most of the Terai to Nepal (Stiller 1976). Due to China's internal instability and external attacks, from the mid 19th to mid of the 20th century, Rana ruler of Nepal sought supports from British India making an informal alliance with it. There seems short breakup after China's revolution of 1911 until the 1949 on relationship. Then, the establishment of the Communist regime in China under Mao Zedong and its control of Tibet in 1957 enabled King Mahendra to revive old policy. He maintained strong relationship with China. As a Nepal's modern foreign policy maker, King Mahendra actually tried hard to maintain balance neighbor policy. He established Nepal's diplomatic relationship with many countries and also succeed to attract the huge amount of Investment. He was also an initiator of modern economic development in Nepal. China's financial and technical assistance increased in his tenure and also followed after his death too. Trade also played a vital role to fresh up the relationship even in the critical period (Pemble 1971). Trade had attracted attention as a field of historical research beyond any proportion to its contribution to Nepal's economy (Regmi 1988). But the contribution and equation of Nepal-China have been changed since two decades. China's economic activities with investment in Nepal have influential impacts on overall Nepalese economy. When we go back to history, trans-Himalayan trade was one of the important links in the chain of continental trade

of Asia in the seventeenth and eighteenth centuries, supplying in the process the markets not only of Nepal, Tibet and India, but also of Central Asia, Mongolia and parts of China (Sharma 1973).

The chapter tries to draw some historical factors of Nepal-China relations and analyze the new dimension since one and half decades. Since the beginning of the Maoist insurgency in 1996, external interferences in the internal matters of Nepal hugely increased. Indian establishment, European Union, some Scandinavian countries and America openly came in front and directly and indirectly played a role to weaken Nepal. Their intention was bad. So they used Maoist leaders to fulfill their vested interest in some economic and political benefits. Democratic countries of the world played a disgusting role to make Nepali democracy futile and worst. Therefore, anti-India and anti-West sentiments in Nepal are very high. Nepali people blame India and West for Nepal's instability and underdevelopment. They also raise the questions on the structure and future of Nepali democracy. Some Nepali experts opined that western style of democracy could not work in Nepal. They reiterated that there should be Nepali style of democracy in Nepali land.

Since increasing interests of Western powers in Nepal shocked China. China, without any hesitation, has been very clear that Western countries are trying to use Nepali soil to create instability in the Tibet region. Without making Nepal a unstable country, vested interests of West could not be succeeding. China is aware of that fact. So, it has been increasing many levels of diplomacy and exchanges in Nepal since one and a half decade. Now China's investment in Nepal is very than India and also number of Chinese tourists is increasing in higher rate. Governmental and non-governmental levels of exchanges are hugely increased. Due to its false and self-defeating policy toward Nepal, India has losing its stand in Nepal. Nepali people blame India as a problem maker and non-supportive neighbor.

Nepal-China Relations Since 1955 to 1990: Moderately Harmonious

The government of the People's Republic of China (PRC) was established in 1949. The First premier of PRC, Zhou Enlai was very conscious about China and Nepal relations. He also talked with then Indian ambassador of China KM Panikkar for tripartite meeting between representatives of the governments of China, India and Nepal to find out the resolution of border problem and address other

issues to forge mutual trust and understanding (Panikkar 1955). In 1955 at the Bandung Conference, Premier Zhou Enlai met the Nepali delegation and indicated to have diplomatic relations between the People's Republic of China and Nepal (Bhattarai 2010). Nepal welcomed approach of the Chinese government and agreed to have diplomatic relations based on mutual trust and Five-fold principles. Nepal and China formally established diplomatic relations in 1955. After the diplomatic relations, Nepal and Chinese government agreed to maintain friendly relations and on Trade and Intercourse between Nepal and Tibet Autonomous Region of China was signed on 19 September 1956. On the invitation of Chinese Premier, Prime Minister Tanka Prasad Acharya made the first ever official visit of Nepali Prime Minister to China from 26th September to 7th October 1956. Chairman Mao had received Prime Minister Acharya and his delegation and had cordial talks with them (Gorkhapatra 19 September 1956). An agreement between China and Nepal on Economic Aid was signed between Prime Minister Acharya and Premier Zhou Enlai at the presence of Chairman Mao (Bhasin 1994). China and Nepal relations since then went on the comprehensive way. Even at the international forums, Nepal and China had made common voices at some issues. Nepal had supported on China's readmission on United Nations.

Influential leader and Premier of China Chou Enlai came to Nepal on 24 January 1957. On his six days visits, he talked about Nepal and China relations and important of cooperation for future. A joint Communiqué issued at the end of Premier Chou's visit on 29 January 1957 said, "In the spirit of the intimate and friendly talks which they had in Peking, the two Premiers recalled and affirmed the traditional friendship which has existed since the time immemorial" (Bhattarai 2010). Nepal's first elected Prime Minister BP Koirala visited China on March 11-21, 1960. His discussion with Chairman Mao and other Chinese leaders helped to further aggravate the Nepal-China relations. Nepal and China agreement on boundary questions on 21 March 1960. King Mahendra's visit of China in 1961 opened new door for Nepal-China cooperation. Under the King Mahendra regime, Nepal and China enjoyed full-fledged relationship on political, economic, cultural and military arenas. King Mahendra was also the architect of the modern foreign policy of Nepal. He tried to maintain balance neighbor relations. Nepal's stand at the international stages was also big at that time. As a member of Non-alignment movements and

third world, Nepal had opined clear and loud voices at the international forums on the common issues of the underdeveloped world.

China visit of Prime Minister Kriti Nidhi Bista in 1972 and King Birendra in 1979 helped to further broaden the Nepal-China cooperation. Similarly, Nepal visit of Chinese Premier Zhao Ziyang in 1981, President Li Xiannian in 1984 and Premier Li Feng in 1984 had a significant importance in historical relations of both countries. During this period both countries agreed to settle down border issue and also did some trade-related agreements. Nepal saw Panchayat (King-ruled authoritative regime) since 1960 to 1990. Though the system was undemocratic, Panchayat rulers had given peace and stability in the nation. They started infrastructure developments in many places in the countries. Most of the big projects of today were launched at Panchayat period. For foreign policy, they committed to non-alignment and Panchasheela principles. From China to Russia, America to Japan, Nepal succeeded to maintain strong diplomatic relations with many countries of different continents. From United Nation's agencies to various international forums, Nepal maintained strong involvement and clearly opined voices on the issues of third world countries. After the death of farsighted ruler King Mahendra, his son Birendra Bikram Shah came in throne. King Birendra was liberal and conscious on development but less active like his father. Due to his liberal approach and people-oriented programs, before and after the reestablishment of the democracy, he got huge public support and trust. King Birendra had given continuity of his father's legacy on economic development and foreign policy. Politically he was more liberal than his father. In his tenure, Nepal-China relations were also at pick as at the tenure of his father King Mahendra. Governments to government levels comprehensive relations supported to advance Nepal's economy and infrastructure development. China was also happy with the Nepal government due to its stick one-china policy and balancing tactfully the neighbor policy. Due to the massive peaceful political movement, King's direct rule was ended in 1990 and multiparty system was reestablished. Major political parties, who were in a huge struggle to end autocratic Panchayat system, came in the front and democratic exercises began with the democratic constitution and parliamentary election of 1991. China observed the changing political dynamics of Nepal very closely. The new government of Nepal sent the message that it would be

retain on non-alignment policy and Panchasheela principle on launching its foreign policy.

Since 1991 to 2017: Attached with Detached Relations

With the regime change and new democratic system established in Nepal, though People's Republic of China formally congratulated, it had some suspicion and queries regarding with political leaders who had more political connections with Indian political leaders and governmental officials. In his second foreign visit after India, Prime Minister Girija Prasad Koirala paid an official visit to China and met senior leaders. His special meeting with Chinese Premier Li Peng focused on building mutual trust and cooperation. Leaders of both countries review with satisfaction the steady progress of their bilateral relation on the basis of five principles of peaceful existence and agreed to further strengthen cooperation between the two countries in economic, trade, cultural, educational and other fields (Bhattarai 2010). Girija Prasad Koirala was most powerful and influential leader of Nepal after 1990 to till his death. So his meeting with Chinese leader success to assure on those Nepal-China relations would not be affected from the regime change. Replying an answer to a question of one Chinese journalist, Prime Minister Koirala said, "I have not come here just in a give and take spirit. I have come to China to extend to it a hand of friendship. I would like to strengthen this pillar of friendship and strengthen it further" (Bhasin, 1994, pp. 565). Koirala became Prime Ministers of Nepal 5 times. He was the longest-serving prime minister after 1990 in Nepal. But he was largely blamed for not becoming serious to maintain political stability and economic development. He never pushed economic agenda at front. In his tenure, at the name of neo-liberalization economic reform supported by World Bank, many national industries and factories either collapsed or privatized. Koirala never constructively used his political power for betterment of people's life. So that even though he was strong democratic leader, was blamed for Nepal's dreadful instability and economic catastrophic. In the foreign relations affairs also not worked properly to serve national interest. Similar path later on follow up by other Prime Ministers Surya Bahadur Thapa, Sher Bahadur Deuba, Madhav Kumar Nepal and Baburam Bhattarai. Nepal's first ever elected communist Prime Minister Manmohan Adhikari paid a weeklong visit of China in April 1995. He met Chinese President Jiang Zemin and Premier Li Peng. During their meeting, both leaders

discussed on various issues related with long-term Nepal-China cooperation. Prime Minister Adhikari, who was quite popular in Nepal due to his some pragmatic populist programs though he served only nine month as a Prime Minister, tried to assure Nepal's stand and requested to support Nepal's economic development. Some agreements on economic and technical cooperation between China and Nepal were signed. It is said that Nepal-China relations under the Adhikari government was quite productive and comprehensive rather than other under other governments of after 1990. The major reason behind the success of Adhikari's foreign policy was his balancing role to between the immediate neighbors and other countries.

Chinese President Jiang Zemin, who was a very influential leader in China at that period, paid an official visit to Nepal in December 1996. President Jemin, at his speech, said that China and Nepal relations were based on mutual trust, goodwill, cooperation and win-win situation. He also focused on China's willingness to work together with Nepali people and promote friendship with them (Bhattraï 2010, pp 118). There were more visits from both sides after 1990. It is also continues in its pace. But the problem in Nepal was that even those agreements signed with China, which were beneficial for Nepal's development, were not implemented. Most of the visits were only happened to commit on Nepal-China relations and but failed to go through tangible cooperation on economic, technical and other relevant issues. Governments after reestablishment of democracy in 1991, not all but many were not serious to harness Nepal-China relations. In word, they always reiterated One China Policy but they did nothing on economic, technical and cultural cooperation.

In his direct rule period, King Gyanendra tried hard to maintain balance policy in neighboring relations. Though he was blamed for rejecting the democratic system and initiating autocratic rule, for foreign policy matters, he tried to make Nepal's stand strong even in the international arena. He paid China visit in 2002 and signed various agreements regarding with cooperation and friendship promotion. King Gyanendra played a prime role to give space for China as an observer in SAARC. Nepal faced ten years of Maoist insurgency. With the twelve-points agreements between the seven parliamentary parties and Maoist rebelled the peaceful political movement against

King's direct rule. Nepal again entered in the democratic framework. The Maoist party became the largest party at the first constitutional assembly election. Chairman of Maoist party Pushpa Kamal Dahal Prachanda became first Prime Minister of Republic Nepal. Prime Minister Prachanda paid his China visit on 24 to 29 August 2008 to participate in the closing ceremony of Beijing Olympic. During his visit, he met Chinese President, Premiers and other leaders of Communist Party of China. Some agreements were signed between two governments and reiterated further strengthening the cooperation. Prime Minister Prachanda at that time succeed to give a strong message on that Nepal-China relations would be run on the pragmatic basis with following five fold principles. Chinese government which was quite serious due to the massive political change in Nepal and its futuristic impacts on Tibet became somehow happy with the visit of Prime Minister Prachanda and his strong stand on Nepal-China comprehensive cooperation. Prachanda's second term as a Prime Minister, he became Prime Minister again in April 2016. He was different in his second term toward China. He followed extreme pro-India posture. So he faced more criticism on ignoring China relations. But at the end of tenure, he paid visit to China and met with Chinese President Xi Jinping. In the meeting, Prime Minister Dahal reiterated that his government has taken China relations seriously and also committed to signed China-led Belt and Road Initiative. Though Dahal government was faced severe criticism for ignoring China relation, also succeed to sign Framework Agreement of Belt and Road Initiative. Nepal and China signed framework agreement of Belt and Road Initiative on 12 May 2017. At a special program held at foreign ministry of Nepal, Kathmandu, foreign secretary of Nepal Shankar Das Bairagi and Chinese Ambassador of Nepal Yu Hong signed the agreement in the presence of Deputy Prime Minister Krishna Bahadur Mahar and other some senior ministers and governmental officers (*Kathmandu Post* 12 May 2017).

A Nepal-China relation was in pick while KP Sharma Oli became Prime Minister on August 2015. He became Prime Minister at a critical time when Nepal was faced economic blockade from Nepal. At that time, Oli-led government took the historical step to maintaining a comprehensive relationship with China. In between the economic blockade, Prime Minister Oli paid historical visit to China on March 2017. During his visit to China, Nepal and China had sealed 10 separate agreements and Memorandums of Understanding on using

the northern neighbor's seaport facility, railway connectivity between two countries, building two countries transmission line, building a regional international airport in Pokhara and exploring the possibilities of signing a bilateral free trade agreements and finding oil and gas reserves in Nepal among others (*Himalayan Times* 27 March 2017). Prime Minister Oli also signed primary framework of Belt and Road Initiative. From Nepal side, Prime Minister Oli committed to be an active member of China-led Belt and Road initiative. Upon his arrival at the Tribhuvan International Airport of Nepal, he talked with national and international journalists and said that 10-points agreements signed between two nations including the trade and transit treaty were a significant achievement of the nation (*Ibid.*). Definitely, Oli government had taken historical and bold stand on relation with China. Most of the governments from 1990 to 2017 were not openly but covertly ignored the deep cooperation with China due to fear from India. India card is famous in Nepal. Nepalese politicians used Indian establishment to appease their personal political ambition. This ultimately supported for huge instability and chaos in Nepal. That's why, in any problems in Nepal, India need to face severe criticism from Nepali people. Due to the bad and non-tactical suggestions from some Indian experts and officers of Indian Foreign Ministry, the Indian government failed to address Nepal relation acutely. So day by day, anti-India sentiment in Nepal in increasing and India is ultimately losing ground in Nepal affairs. Growing western influences in Nepal is also India's failure to deal with its oldest neighbor Nepal. It is said that after King Mahendra, Oli government in Nepal had taken very independent foreign policy and trying to balance the neighboring relations. Historic 10-points agreement with China also shows his government's bold decision making based on national interest.

Great Powers Game, China factor and Nepal's Future

Nepal's geopolitical location has been fertile ground for great power interests. Besides the two giant neighbors, America and some European countries have been involving on Nepal's internal matters through not overtly. There are no other interests of western powers beside creating instability in Nepal and targeting to attack politically in China's Autonomous Region Tibet. Since one and half decades, India has also lost its own position and blindly following the roadmap of EU-America in Nepal affairs. One reason behind India's failed

Nepal policy is also that unnatural alliance with western powers by Indian establishment. In his influential writing in a journal, John Mage analyzed Nepal's relation with foreign countries and said that without taking bold strategic posture like Prithvi Narayan Shah, Nepal could not stabilize the nation (Mage 2007). Professor Melvyn C. Goldstein came with depth research on "Tibet, China and the United States: Reflection on the Tibet Questions" in 1995. In his book, he opined the view that Tibet questions came to rise due to the dual strategy of the West (Goldstein 1995). Western countries after the reestablishment of democracy in 1990, using Nepali politicians and some concerned people to create instability in Nepal. Western powers were clear on that instability in Nepal could have direct impacts on Tibet.

Before 1990, though the system was autocratic, Panchayat ruler had maintained good neighboring relations. There were very minimal Western influences in Nepal. No powers could easily and openly talk on internal matters of Nepal. But after the reestablishment of Democracy, Foreign powers got the propitious environment for their overt and covert activities in Nepal. India and Western powers making covert alliance started to interfere in the internal matter of Nepal. They used Nepal's corps political leaders, some intellectual persons, some government officers and some high ranking security offices to appease their parochial interests. Nepal actually failed to use its sovereign powers. If the country failed to take an independent decision, then its sovereign power could be synchronized (Krasner 2001). In the case of foreign policy and internal matters, Nepali democratic politician lost the ground and gave immense space to foreign lords to play. That is the reason why Nepal is facing protracted till now. Foreign powers are challenging the sovereignty of Nepal to make their stand strong. If a nation failed to defense its sovereign power, definitely foreign power come to demonstrate its influence. Nation always ready to stand on that best defense is a good offence (Mearsheimer 2001). In the context of the Tibetan issues, Great power politics in Nepal, is geopolitical competition is more. There are less financial and trade-related issues on it. So that Nepal needs to be serious on that issue. Geopolitical conflict could escalate regional war or condition of the huge level of confrontation between great powers. Unfortunately, Nepali politicians are like a blind and not serious on these critical issues.

When we go back the history, King Prithvi Narayan Shah, who unified the nation, said that strategically geographical location of Nepal should be the basis for our foreign policy standard. His famous statement “Nepal is the yam between two boulders” and emphasized on equal friendship between Chinese empire in the north and British empire over India in the South (Malone and Pradhan 2012). Rana Rulers directly maintained the relation with British India. At that time China was very weak due to internal instability and external inferences. Rana rulers of Nepal thought that maintaining friendly relations with British imperialist, Nepal could survive its sovereignty. Not all but partially Rana rulers succeed to protect on their agenda. History shows that Nepal faced more external inferences while the irresponsible democratic regime in the rule rather than the autocratic system. Kings were more patriotic and conscious on protecting Nepal’s sovereign power and national interests. But democratic regimes failed in multiple approaches. Democratic regimes in Nepal always fail to maintain political stability, peace, economic development, fulfilling national interest and social security. Nepal’s at every up and down situation, northern neighbor China retains its friendly relations with Nepal. Always willing to making strong relations, it had never tried to interference internal matter of Nepal. But an important thing is that before 1911 or after 1911, China always conscious of ongoing happening of Nepal and its probable impacts on Tibet. This factor has been even now continuing though there are multiple areas of cooperation between two countries. Nepali establishment needs to be pragmatic and strategic in its foreign policy ruling not only in the case of neighbor relations. Nepal’s geostrategic location is the basis of the actual strategic way of her foreign policy. Until and unless Nepali establishment understands that reality and shows the act pragmatically, stability and development would be a very far dream. To secure her future, Nepal needs to rethink and renew its foreign policy dimension.

One Belt One Road: Tangible Prospect of Nepal-China Dynamic Relations in the New Era

Nepal and China has signed Framework Agreement of One Belt One Road (OBOR) on 12 May 2017. Foreign Secretary of Nepal Shanker Das Bairagi and Chinese Ambassador to Nepal Yu Hong signed Memorandum of Understanding on the Framework Agreement on China-led One Belt One Road Initiative. It shows the Nepal’s official

entry in the China-led very big international project Belt and Road Initiative (BRI). Agreement signing program held at foreign ministry. Deputy Prime Minister and Finance Minister Krishna Bahadur Mahara and Foreign Minister Dr. Prakash Sharan Mahat were present at the signing ceremony. With happy mood, Foreign Minister Mahat said the move is a major step forward in strengthening Nepal-China relations (*Kathmandu Post* 13 May 2017). He further said that Nepal now requires a significant boost in foreign investment and that Nepal is optimistic about reaping benefits after becoming part of the Chinese Initiative (*Ibid.*). Chinese Ambassador Yu opined that the signing agreement will bring new opportunities for China-Nepal cooperation and South-Asia development. According to Professor Li Tao, executive director at the Institute of South Asian Studies in Sichuan University, the deal carries vital importance not only for China, but also for Nepal and joining Belt and Road Initiative will bring Nepal with investment and experience from China (*Ibid.*). Director of Institute of South-Southeast Asian and Oceania Studies, China Institute of Contemporary International Relations, Professor Hu Shisheng said in an interview with *Kathmandu Post* that China-Nepal signing MoU on One Belt One Road will provide critical guidance and policy support for the two governments to undertake cooperation in major projects related to development programs and strategies match-up or interface, physical connectivity, trade facilitation, financial assistance and people-to-people and institutional exchanges (Interview with Prof. Hu, *Kathmandu Post*, May 12, 2017).

Former Prime minister of Nepal Pushpa Kamal Dahal's China visit to March 2017 had given important signal to further aggravate Nepal-China multifaceted cooperation in a new framework and new dimensions though his government was faced blaming on that it ignored the China relations showing extreme pro-India posture. Prime Minister Dahal came to China to participate in a Boao Forum for Asia. After the forum meeting, he came to Beijing and met Chinese President Xi Jinping. In around of fifty minute discussions, they talked about Nepal-China pragmatic cooperation and how to coordinate issues regarding with Belt and Road Initiative. After the meeting with President Xi, Nepal's prime minister Dahal in an interview with CGTN said that meeting with president Xi was very fruitful and One Belt One Road will support to enhance Nepal's economic development.

Nepal-China relation since Oli government's trip to China in March 2016 moving in new multifaceted directions. Though later Dahal government was less serious on the implementation of agreements, issues and agendas of Oli government, dominated even in Dahal's visits of China. Due to huge criticism and accusing him of unbalancing neighbor relations, at the end of his tenure as a Prime Minister, Dahal showed somehow serious and tried hard to win the trust of Chinese government on concrete implementation of agreements. Talking with Nepali and Chinese journalists in a program held at Embassy of Nepal in Beijing, Prime Minister Dahal seriously said that his government was serious to promote Nepal-China relations in a multifaceted way. Nepal needs to focus on implementation of agreements done with China. China, now, the second economy of the world and biggest exporter has capital, technologies, knowledge and experiences. To promote mutual trust and cooperation in various sectors traditional mentality and always repeating the mantra of Nepal stick on its commitment on One China Policy is not complete. Aspirations of people of both countries are more than that. They want tangible and pragmatic tie up in terms of bilateral relations, economy, and cultural, technical and people to people exchanges. China's supports on Nepal's development continue since five decades. Now Nepal needs to do much from its side. For her economic development, it needs to make concrete environment for Chinese investors. There should not be any longevity on executions of policies. How much Nepal delayed on implementation, that much it cannot enjoy tangible change in economic development.

As a global leader of globalization, now responsibilities of China are increased in the international levels. There is no area or places where China is not present. Mostly in the issues of least developed countries (LDCs), China need to be more supportive. LDCs have natural resources and manpower but lack in terms of capital, knowledge and technologies. China as a liberal partner need to support them based on mutual coexistence and mutual trust. As many experts on Nepal-China affairs opined that China should realized the geo-location of Nepal and Nepal should be serious on implementing agreements did with China and also pragmatically address the relevant concerned of China. With signing the Framework Agreement between Nepal and China, new era in a bilateral relation has begun. Tortoise motion of bilateral relations now ultimately reached in its comprehensive partnership phase. To get more benefits

in a win-win basis, both governments need to do more. Nepal needs to be more serious on attracting Chinese investment, technology and knowledge for her multi-faceted economic development.

Participants of China-Nepal Think Tank Conference, which was jointly organized by Xinhua News Agency and Nepal Study Centre at Hebei University of China on January 17-18, 2017, discussed on various concerned issues of Nepal-China relations and recommended some pragmatic things for betterment of cooperation (*Xinhua News* 21 January 2017). In a discussion, Huang Youyi, Secretary General of International Advisory Board of The Chahar Institute of China said that Nepal is a special friend of China among neighboring countries and also stressed on establishing mechanisms to implement the bilateral deals signed between the two governments (*Ibid.*).

Conclusion

Nepal-China relations with the signing of the agreement on BRI enters into the new era. Nepal is located at an important geopolitical and geo-strategic location. So some major powers want to play some overt and covert role in the internal matters of Nepal. India, some European countries and America particularly has been giving unnecessary pressures to Nepali establishment to fulfill their interests. That situation is also one of the causes of instability, underdevelopment and threat on peace of Nepal. Most of the Nepali governments since 1990 failed to take a pragmatic diplomatic stance to deal with unnecessary interferences and concerns of the major powers. Even in the OBOR issue, India did much to divert Nepal from signing the agreement with China. Professor Hu Shisheng, Director at the Institute of South and Southeast-Asian and Oceania Studies, China Institutes of Contemporary International Relations, in an interview with English daily based at Kathmandu, said that there is one outstanding concern that whether India's neighbor (except Pakistan) can afford or can stand up against the pressure and even disturbance from India. He further said that it is up to India's neighbors to decide or make a choice. However, the benefit from BRI should not be taken for granted forever, he said.

Nepal needs to focus on the implementation of agreements. There are five major ways of cooperation in the OBOR Framework Agreement: policy coordination, facility connectivity, trade connectivity, financial integration and people to people contacts. Nepal

needs the huge amount of investment to trigger her infrastructure development. China has capital, technology, knowledge and experiences. Nepal as a neighbor country should not do any delay after signing on the OBOR to clarify its necessities and embark on the cooperation. Through rail, road, transmission line and cultural connectivity, Nepal-China relations could reach a level of harmonious based on mutual benefits if both parties are serious on their front. Even though Nepal-China watcher opined that Nepal needs to do much to harness cooperation through OBOR line based on the win-win situation. It will definitely lead Nepal toward the economically prosperous situation.

China's presence in Nepal is increasing since the 2015. KP Oli government started pragmatic cooperation with China. Since then, China's concern and interest in Nepal unexpectedly increased. Tortoise motion of cooperation between two countries embark toward the historic comprehensive relationship with multiple and multi-faceted cooperation. Beside economy, history and culture are also two factors to make Nepal-China relationship more conducive and ever strong. Nepal needs a responsible and dynamic leadership to maintain neighbor relations. Card systems in neighbors could not work. History already proved that. Maintaining very harmonious relationship between two giant neighbors, Nepal could take historic advantageous in it all-round development. Physical distance with China is also becoming shorter with multiple cooperation.

Reference

- Bhasin, Avtra Singh. 1994. *Nepal's Relations with India and China*. Delhi: SIBA EXIM Pvt. Ltd.
- Bhattarai, Niranjana. 2010. *Nepal and China, A Historical Perspective*. New Delhi: Adroit Publishers.
- Einsiedel, Sebastian V. Malone, David M. & Pradhan, Suman. (2012). *Nepal in Transition; From People's War to Fragile Peace*; Cambridge University Press.
- Goldstein, Melvyn C. (1995) *Tibet, China and the United States: Reflections on the Tibet Question*; Gorkhapatra. News publishes on September 19, 1956
- Kaplan, David H. & H. Guntram. (Eds). (2008). *Nations and Nationalism: A Global Historical Overview*, ABC-CLIO, Inc; Print
- Krasner, Stephen D. "Sovereignty" at *Foreign Policy*, Washington Post, Newsweek Interactive, LLC. Print.

- Kathmandu Post, news published on 12 May, 2017. <http://kathmandupost.ekantipur.com/news/2017-05-12/nepal-china-sign-framework-deal-on-obor.html>
- Mage, John. (2007). "The Nepali Revolution and International Relations" at Economic and Political Weekly, vol. 42, No. 20; Print
- Manandhar, Vijay Kumar. 1999. Cultural and Political Aspects of Nepal-China Relations. Delhi: Adroit.
- Mearsheimer, John J. (2001), the Tragedy of Great Power Politics, W. W. Norton & Company.
- Panikar, K. M. 1955. In Two Chinas. Connecticut: Hyperion Press Inc.
- Pemble, John. 1971. The Invasion of Nepal. Oxford: Clarendon Press.
- Ramakant. 1976. Nepal-China and India. New Delhi: Abhinav Publication.
- Regmi, Mahesh C. 1988. An Economic History of Nepal 1846-1901. Varanasi: Nath Publishing House
- Rose, Leo E. 1971. Nepal: Strategy for Survival. Berkeley: University of California Press.
- Sharma, Kunjar M. 1973. The Economic Theme in Nepali Foreign Policy: a Historical analysis up to the end of the Anglo-Nepal War. PhD. diss., University
- The Himalayan Times, news published on 27 March, 2016. <https://thehimalayantimes.com/kathmandu/kp-sharma-oli-returns-home-china/> Interview of Hu Shisheng, Kathmandu Post, May 12, 2017. <http://kathmandupost.ekantipur.com/news/2017-05-12/it-is-up-to-indias-neighbours-to-decide-or-make-a-choice.html>
- <http://columbiauniversity.net/itc/ealac/barnett/pdfs/link4-goldstn.pdf> Accessed 18-12- 2012
- Xinhua News Agency, January 21, 2017.

Chapter 4

Nepal-US Relations Post 1950

Erika Cornelius Smith and Kalpana Khanal

Introduction

Joseph Nye (2011) writes that “power depends on context” (xiv) and in many ways, the shifting global contexts of the 20th and 21st centuries have shaped the relations between Nepal and the United States. Political theorists describe power as the capacity to do things and in social situations to affect others to get the outcomes we want, to enact or “cause” phenomena. Understanding power includes studying *who* is involved in the power relations (the scope of power) as well as *what* topics are involved (the domain of power) (Nye 2011: 6). Within the domains of power, theorists focus on how power is conveyed through resources, whether tangible or intangible. Resources are often used to execute three distinct aspects of relational power: commanding change, controlling agendas, and establishing preferences (Nye 2011: 11). States have varying resources at their disposal to exercise these forms of relational power, including military power, economic power, and soft power.

In examining the relationship between Nepal and other “great powers” for this volume, scholars will shed insight into how the changing form of relational power and resources deployed among states were shaped by the geopolitical context of the 20th and 21st century. This chapter, which specifically examines the relationship between Nepal and the United States, will analyze military power, economic power, and cultural relations in the context of the heightened anxiety of the global Cold War, as well as the political upheavals and transitions of the immediate post-Cold War and liberalization periods in Nepal.

Establishing Relations – World War II

When Nepal and the United States established diplomatic relations in the late 1940s, Nepal had been ruled for one hundred years by the autocratic Rana family under a system of hereditary premiership. During the aftermath of World War II the British withdrew from India and this changing scenario allowed only a little time for the Rana rulers in Nepal to make necessary policy adjustments. The first step to move away from traditional isolationist policy of Nepal was the empowerment of Nepali legation at London and the British legation at Kathmandu to embassy status. This allowed direct diplomatic connection between these two governments. In the past the two governments usually contacted each other through the government of India. After this instance, Nepal was open to expand its diplomatic ties beyond its original ties with Britain, India and Tibet.

Nepal insisted on an independent foreign policy that was non-aligned, referring to the international military power blocs associated with the United States and Soviet Union. The idea was to look at every international issue on its own merit without supporting one or the other military power bloc. When most people speak or write about military power, they tend to think in terms of the resources that underlie hard power behaviors of fighting or threats of force –actions involving soldiers, planes, tanks, ships, etc. But military power resources have long been used to provide protection to allies and assistance to friends. Non-coercive and benign uses of military resources can be an important source of soft power behavior of framing agendas, persuasion, and attraction in world politics. Joseph Nye (2011) writes, for example, that military forces can be used to provide assistance: “this modality can take the form of training foreign militaries, engaging in international military education, undertaking regular exercises, or providing humanitarian assistance or disaster relief” (47). Throughout the 20th century, US-Nepal relations have been shaped by soft power activities of the United States.

The Rana rulers of Nepal (1846-1951) recognized that they needed the support of countries like the United States (Khadka 2000: 79). In the last few years of their rule, the Ranas introduced “diversification policy.” This involved expanding Nepal’s foreign policy first to United States and then to France. The policy was extended on a limited and

experimental basis shortly before the overthrow of Rana regime. As noted by Rose (1971) the dramatic reversal of the basic operating principles in Nepal's relations with foreign powers was adopted by Rana Prime Minister Mohan Shamsheer in 1948 when he declared:

In modern times it is neither possible, nor desirable for any state to keep itself in isolation from the world's affairs. It shall be our policy therefore to enter into diplomatic relations with all such countries that seek our friendship. It is evident that we shall require much help and co-operation from abroad in our nation-building project. We hope we shall obtain such needful assistance and co-operation from our neighboring and friendly countries (*Nepal Today* 1948).

Chandra Shamsheer also mentioned that Nepal was eager to develop close friendly relations with the United States, as well as with China, Tibet, France, the Netherlands, Belgium "and such other countries as well" (Upadhyaya as cited in Rose 1971).

The first US diplomatic contact with Nepal – a mission headed by Joseph Satterthwaite, Deputy Director of the State Department's Office of Near Eastern and African Affairs – occurred only in 1947, simultaneously with the end of British rule in India. Satterthwaite later characterized his mission as amounting to "the eventual end of the exclusive control of Nepal by the British." Although a second mission headed by senior State Department official Chester Bowles arrived during the Korean War in 1951 with the first "aid" program, no permanent legation was established until the Tibetan events of 1959.

Following the incidents in Tibet, the US based its foreign policy objectives in Nepal on two main premises: (1) the people of Nepal wanted to experience change in their living conditions, a fact made evident to the US by the overthrow of the Rana system of government in 1951; and (2) the US believed that it could use aid to prevent Nepal from becoming a "hot spot" of rivalry between India and China, and the people from turning towards radical ideology as a way of addressing the fundamental problems. The major factor influencing the United States' interest in Nepal was the state's geopolitical location. The United States believed that Nepal's independence and territorial integrity were critical to the security of South Asia (Thornton 1993). The Soviet Union was deeply engaged

in Europe and expanding its influence toward Asia, which exerted pressure on the United States to shift the focus of its foreign policy objectives to Asia. As George Gues (1987) writes, "with an emerging 'bi-polar' view (Sino-Soviet bloc) of the world as a decision premise, the US stepped up military and economic aid to receptive leaders and regimes in this region to 'leverage' its world view" (182). As a result, US aid policy was formulated according to existing Cold War era political-economic theories, namely political containment and development economics.

President Truman and his advisers strongly believed that Nepal was potentially susceptible to a communist threat, and any communist subversion in Nepal could affect the security of other South Asian countries. A communist menace could manifest internally through popular uprisings and dissent fomented largely by the poorer sections of Nepalese society. A US official involved with nearby Tibet in the 1950s explained the mind-set within US government at the time:

President Truman was intent upon stopping the spread of communism. The State Department too was fiercely anti-communist...This was all during the Korean War. Everyone was expecting World War Three to start. People were panicked....The US was even going to invade Cuba to get the communists out (US CIA Official 1996).

Thus, foreign assistance, if focused on some of the vital socioeconomic sectors, could contribute to making visible improvement in the living standards of the poor and thereby discourage them from being political tools in the hands of radical (communist) forces. David Schneider (1983) writes the US "interests center on its strategic location and on our consequent interest in orderly economic development and the evolution of stable political institutions which provide for public participation in government" (64). They believed that ultimately, if economic growth and development are achieved, countries like Nepal would attain democracy and political stability, which would make them favorably, disposed towards the West and potentially contain further expansion of communism in Asia. They also believed that for Nepal, US influence could be used to counter undue outside influence on the parts of India and China.

In the aftermath of downfall of Rana regime, it was clear that the economic development of Nepal remained neglected under the Rana

regime. The change in regime and the consequent opening of Nepal to the foreign world made the general population and domestic leaders more aware of this aspect. Because of lack of domestic savings and resources Nepal had to look for external assistance to provide the initial push to its stagnant economy (Pant 1956: 4-6). Nepal mobilized assistance from almost every one of its "friendly countries". There was one self-imposed condition for Nepal to accept aid; that the aid should be given without any strings attached. The United States was one of the first countries to make its mark as aid donor to Nepal in 1951 (Muni 1973: 181).

On January 23, 1951, the US and Nepali ambassadors in New Delhi concluded an agreement under the Point 4 program providing for American assistance in the surveying of Nepal's mineral resources. Implementation and expansion of the agreement was delayed by the February 1951 political change. Later, in January 1952, the US Technical Cooperation Mission established its office in Kathmandu, and the American aid program in Nepal then became institutionalized. During the first years following the signing of the Agreement for Technical Cooperation in 1951, no substantial aid program was implemented between the United States and Nepal. The United States Operation Mission (USOM) served as the implementing agency and initiated only a handful of projects beginning in 1954. Reflecting on these developments in 1954, King Tribhuvan B.B. Shah Dev (1911-55) stated:

It is an undeniable fact that no nation can in the context of the modern world have an isolated existence. The age demands that all nations, big and small, must draw close together and contribute to the welfare of humanity as a whole. It follows therefore that we must develop good and friendly relations with nations of the world without attaching ourselves to any particular power group. In such a policy alone lies our welfare (*The Statesman* 1954).

As expressed by ambassador Chester Bowles in Kathmandu (1953) the main goal of US aid to Nepal was "bolstering democracy and preventing aggression," as well as to promote political independence. Yet, there was considerable resentment in the Nepalese press regarding the function of USAID in Nepal. *The Rising Nepal* (1996) demanded a "radical change in attitude" in the US aid program. However, demonstrating a disconnection between the Nepali state and its citizens, King Mahendra stated in 1963:

My Government is very much obliged to our friendly country, the United States of America for their pure-hearted help and co-operation in development projects to be undertaken by the Panchayats (Mahendra 1967: 187).

This statement represents the king's acknowledgement of the contribution of US aid in maintaining and stabilizing his regime.

Nepal's foreign policy took a different direction between 1955-60, under King Mahendra. In the first press conference after his appointment, Prime Minister Tanka Prasad Acharya declared that he was prepared to accept "aid without strings" from all friendly countries, such as India, China, Britain, and the United States, France and the Soviet Union. By 1965, which was the peak period of relative and absolute contributions, the United States had become the largest donor, contributing 11.4 million USD. This amount was a small fraction of the over 100 billion USD spent over seventeen years as part of the Marshall Plan (Gulick 1965: 3). Contributions to Nepal declined until the mid-1970s, following the thaw of US relations with China in the mid-1960s and formulation of the Nixon Doctrine. The table below demonstrated the pattern of aid contribution relative to the Soviet Union, India, and China for the period of 1962-1990.

Table 1: Aid Contribution to Nepal by State (In Million Rs)

<i>3 and 5 Year Plans</i>	<i>US Aid</i>	<i>Soviet Aid</i>	<i>Indian Aid</i>	<i>Chinese Aid</i>
2 nd 3YP (1962-5)	198.0 (46%)	57.0 (13%)	110.0 (25%)	45.0 (10%)
3 rd 5YP (1965-70)	207.0 (23%)	19.0 (2%)	513.0 (57%)	153.0 (17%)
4 th 5YP (1970-5)	165.0 (14%)	8.0 (1%)	596.0 (50%)	213.0 (18%)
5 th 5YP (1975-80)	281.0 (11%)	0.0	638.0 (26%)	308.0 (13%)
6 th 5YP (1980-5)	321.0 (6%)	0.0	755.0 (13%)	251.0 (5%)
7 th 5YP (1985-90)	707.0 (7%)	0.0	1251.0 (12%)	607.0 (6%)

Source: N. Khadka, *Foreign Aid, Poverty, and Stagnation in Nepal* (New Delhi: Vikas Publishing House, 1991), Table IV 8: 207.

In the earlier period of 1962-1970, during the Sino-Indian war of 1962, the Indo-Pakistan war of 1965, and Indo-Pakistani hostility of 1970, US aid contribution was 46 percent (the highest) and 23 percent. Once Soviet interest (expressed in aid above) begins to wane, and China and the United States achieve some form of *rapprochement* in

the early 1970s, neither state is perceived as a significant communist threat to Nepal and US attention in the region shifts focus toward Vietnam and South East Asia. At the same time, the aid contributions of Japan, Switzerland, Germany, and Britain increased and a Nepal Aid Group was formed among Western European countries, allowing the United States to rely on other democratic donor states.

Most aid to Nepal in the period to 1990 took the form of economic grants, with a focus on attacking poverty and preventing a possible communist political uprising. It offered technical aid in areas that were specifically viewed as vulnerable to political agitation. In the 1950s, this meant offering to assist with raising agricultural productivity, combating disease, and promoting educational development with the promotion of village training schools and teacher training. The US also funded infrastructure projects in sectors such as roads, bridges, ropeways (the Hetauda-Kathmandu ropeway), and communications.

The Political Economy of Foreign Aid in a Global Context

Political observers have long debated whether economic power or military power is more fundamental. Marxist tradition casts economics as the underlying structure of power and political institutions as a superstructure. Nineteenth-century liberals believed that growing interdependence in trade and finance would make war obsolete. To understand the economic and political impact of US and other foreign aid on Nepal, it is important to situate these relationships in the context of broader development finance in the 20th century.

One of the interesting paradoxes of development policy is the widespread acceptance of the necessity of external financing for successful economic development (Kregel 2004). Since the first general Assembly Resolution in 1950, the United Nations also indicated the role of insufficient saving for underdevelopment and recommended to increase the flow of foreign capital to fill the savings gap (Guirat and Pastoret 2010). Until the 1980s, official development assistance (ODA) or aid was the dominant form of “international resource flows” to developing countries. Foreign aid was believed to assist developing countries to accumulate enough capital to finance their development. ODA declined from a peak of over 0.5 percent of developed countries gross national income (GNI) in the 1960s and reached a historic low of 0.21 percent when the heads of State and

Government were approving the United National Millennium Declaration. To counter this tendency, the UN launched the Financing for Development Process and organized the International Conference on Financing for Development in March 2002, which adopted the Monterrey Consensus that sought to reaffirm the 0.7 percent target. This motivated many developed countries to announce increased ODA contributions and many pledged to meet fixed target dates for reaching the 0.7 percent goal. As a result, the share of ODA in developed-country GNI rose to 0.33 percent in 2005. However, when corrected for price and exchange rate changes, the reversal of the decline in aid flows has barely brought assistance back to its real level of 1990s (Ocampo, Kregel and Griffith-Jones 2007: 6-7).

While ODA was on the decline many criticized its impact on developing countries. Analyzing ODA in retrospect, Veltmeyer and Petras (2005: 124) argued that ODA could be properly described as an imperial policy even though it originated as a policy for meeting the strategic foreign policy requirements of the US state. In the neoliberal era of globalization and structural adjustment ODA was also criticized as a catalyst of underdevelopment and regression rather than of growth and development. ODA was also seen as a means of advancing the geopolitical and strategic interests of the governments and organizations that provide aid, designed to benefit not the recipient but rather the donor (125).

In this context, the entire system had to be re-designed to create the conditions for renewed expansion and the accumulation of capital on a global scale. In the 1980s the strategic solution to this crisis was found in the neoliberal model of capitalist development. The idea was to create a global economy based on the principles of free enterprise and the free market. Neoliberalism identifies misconceived state intervention, corruption, inefficiency and misguided economic incentives, as the main reason why poor countries remain poor. The neoliberal model was also used by the United States as a means of restoring its hegemony over the world system (Veltmeyer and Petras 2005: 120).

The influence of US government on key multilateral institutions and other Organization for Economic Co-operation and Development (OECD) governments provided a basis for the emergence and diffusion of neoliberal ideas across the world. Under neoliberal

regime there was a broader revival of role of institutions due to rise of New Institutional Economics. During this period, even the International Monetary Fund (IMF) and the World Bank, which used to treat institutions as mere “details,” emphasized the role of institutions in economic development and tried to improve the institutions of developing countries as a way of promoting their economic development (Chang 2011; Chang 2007).

The “dominant discourse” regarding how institutions affect the economy is based on the idea that the institutions that protect private property rights and enforce contracts and policies (which remove government-imposed restrictions on the free operation of markets) will best promote investment and thus economic growth. However, the relationship between institutions and economic development is far more complex (Khanal 2014). Chang (2007) points out various reasons for this dramatic change in intellectual atmosphere. First, the technocratic reform programs promoted by the IMF and the World Bank and many donor governments did not bring institutional differences across countries into the picture. They recommended identical policies in what has come to be known as “one size-fits-all” approach-to economic policy and, as a result, their policies have almost universally failed since the 1980s. Second, a series of financial crises in developing countries around the turn of the century, the Mexican crisis in 1995, the Asian crisis in 1997, the Russian crisis in 1998, the Brazilian crisis in 1999, and the Argentinean crisis in 2002, have prompted debates on the need for reforming a range of institutions to prevent and deal with such crises in future (Chang 2007: 1-2).

Based on this renewed but narrow view about institutions, the IMF and the World Bank started imposing manconditionalities on the borrowing countries, which required the borrowers to adopt ‘better’ institutions that improve ‘governance’ (Kapur and Webber 2000). Many prosperous donors followed the suit and started to attach better governance clauses to their bilateral aids. There is no agreed upon definition of what these ‘better’ institutions are. However, they are often called the Global Standard Institutions (GSIs), and are typically the institutions found in Anglo-American countries, which maximize market freedom and protect private property rights strongly (Chang 2011: 473).

The developing countries were coerced to adopt GSIs by various bilateral, regional, and multilateral trade and investment agreements that started mushrooming in the mid-1990s. Among others, many developing countries were forced to adopt American-style intellectual property rights (IPRs) laws through the trade-related intellectual property rights (TRIPS) agreement made by the World Trade Organization (WTO). In the similar vein, the North American Free Trade Agreement (NAFTA) manipulated the institutions through which the member governments regulate corporations. In addition to the IMF and World Bank loan/aid conditions, the OECD, the G7, the World Economic Forum, and many other think-tanks and policy forums that are dominated by the donor countries have promoted the view that developing countries should adopt GSIs (Chang 2011: 474). Within the Asian Development Bank (ADB), this multidimensional program of institutional reform became known as the Corporate and Financial Governance (CFG) initiative, which has been given shape and direction through a sequence of grants and loans (Adams and Brunner 2003).

Relations During Post-Cold War and Liberalization Period in Nepal

Narayan Khadka (1993) cites numerous factors, internal and external, as contributing to the restoration of multiparty democracy in Nepal in early 1990. Internally, the Panchayat System was brought down by a “relentless and uninterrupted struggle” by the banned Nepali Congress and various Communist factions to restore democracy, the growth of the urban education middle class, including the organized, oppositional student force, the systemic crisis brought about by democratic reforms in the 1980s, and the weakening unity and loyalty of the Panchayat workers revealed during the MRD.

Externally, international movements for freedom and democracy in the late 1980s and ongoing trade disputes with India both influenced regime change. The crisis in Nepal-India relations after the lapse of the trade and transit treaty in 1989 “contributed heavily to inflation and slow economic growth” and consequently lower per capita income. It was estimated that Nepal lost approximately 5 percent of its GDP growth over a period of two years by the Asian Development Bank (1990). The late prime minister of India, Rajiv Gandhi, reportedly admitted that “in imposing trade and transit restrictions, India had been looking to encourage Nepal’s democracy

movement” (Anderson 2013; Crossette 1990). Reflecting on the period of change in an interview, King Birendra acknowledged “unforeseen economic factors and the questions of political change with Nepalese society coincided with changes in the international arena which were unprecedented in recent history and monumental in scope and magnitude.”

Nepal’s transformation from an absolute to a constitutional monarchy came relatively quickly compared to violent struggles elsewhere. On April 8, 1990 King Birendra issued an announcement lifting the ban on political parties: “In view of today’s international situation and taking into consideration Nepal’s unity and the present desire of the Nepalese people, the word ‘partyless’ has been deleted from the constitution.” In less than a week, the National Panchayat, the Panchayat Policy and Evaluation Committee, the class organizations, and the New Council of Ministers were dissolved (Khadka 1993: 47).

In 1991, the first-elected government after the democratic changes in 1990 took office. The new Finance Minister and the Vice-chairperson of the National Planning Commission (NPC) had just come back to assume their ministerial positions from abroad, thoroughly schooled in neo-liberalism. They launched a comprehensive reform program as advocated by the Washington Consensus (Acharya et.al. 2003: 3). They implemented the Eighth Five Year Plan (1992/93-1996/97), which laid out a blue print for reconstruction of the Nepalese economy. The main objectives of the plan were sustainable development, reduction of poverty and improvement in regional balance in development. To garner these objectives, the government adopted free-market liberalization to allow for greater private sector participation in all fields. The government also deployed social mobilization initiatives as a comprehensive national development strategy. Additionally, the government focused on the development of physical and social infrastructure in rural areas. Some institutional reforms were undertaken to accelerate the effective implementation of government policies. Some key elements of the Eighth Five Year Plan were the downsizing the government, the devolution of power to local government and the participation of non-governmental organizations (NGOs) and civil services in program implementation and further liberalization of trade and exchange rate regimes (Acharya et.al. 2003: 3). The structural adjustment programs focused both on

internal and external liberalization. Although the Plan objectives were to focus on the people's agenda, during the implementation process, these objectives were completely lost in the euphoria of structural adjustment.

Many scholars working in post-conflict reconstruction question the use of exactly same neoliberal policies by the international financial institutions (IFIs) and other donor agencies involved in post conflict reconstruction. The IFIs prescribed the same, structural adjustment and integration into the world economy policies, for economic growth and stability in post-conflict societies as they would to a peaceful developing economy (Pugh 2006; Paris 1997; 2004). Ahearne (2009) assessed the application of neoliberal economic policies to post conflict societies and their impact upon the prospect of durable peace. His study concluded that the neoliberal economic approach promotes a type of economic growth that is highly inequitable. In the short run the poorest in society bear the brunt of the social costs of neoliberal reforms and even in the long-term inequality remains high and affects on poverty reduction remains questionable. Furthermore because of its emphasis on macroeconomic stability and fiscal austerity the approach provides no incentive and even restricts the ability of governments to address underlying socio-economic imbalances.

For example, the neoliberal policy in agriculture sector has its roots in neoclassical economic theory based on representative agricultural household models. One of the basic assumptions in this theoretical model is that agricultural producers are rational profit maximizers. That is, farmers are supposed to make rational decisions on their available resources to be responsive to price incentives and subject to constraints such as weather, flood, roads, pests etc. The heavy reliance on assumptions have led to a misleading concept of the "average representative farmers" which tends to ignore important historical differences in agrarian structures, underlying institutional factors such as power structure in a regional setting, political situation, differing technological conditions and significant degrees of inequality and stratification in rural areas of developing nations.

Similarly, in the education sector, neoliberal reforms spread through the developed world in the 1980s and 1990s. Based on a study conducted by Lincove (2009) these reforms have shown questionable results. It is because they recommend developing

countries to use private markets to increase the supply of schools, while developed countries use private markets to improve quality and choice where the supply already exists. Hence, this leads to inequitable access to education in developing countries which can severely impact economic development growth in the long run.

Relations during the period of Maoist Insurgency in Nepal

Historically, communism flourished in many countries in the global south during the Cold War period. However, Nepal is unique in the sense that Nepal continues to have a “robust and durable communist movement even today” (Gautam 2015). In the mid-1990s, Nepal saw the rise of a radical communist party, Communist Party of Nepal (CPN) Maoist. The Maoists declared a people’s war in 1996-which later ended in November 2006. The uprising appears to have been fueled by widespread perceptions of government corruption and failure to improve the quality of life of Nepali citizens, including access to cultivable land. The people’s war ended in 2006 after a Comprehensive Peace Accord (CPA) was signed by various political parties declaring the end of Maoist movement creating a roadmap for elections to a Constitutional Assembly. The period of Maoist insurgency in Nepal plummeted the state of Nepali economy. During this period the pace of infrastructure development slowed down especially in rural areas due to insecurity and also due to diversion of development budget towards increased military expenditure to combat Maoist insurgency. Hence, poverty widened and unemployment rate increased during this period.

During the period of Maoist insurgency, the US focused on the need to restore democracy and civil society in Nepal. During her 2005 visit to Nepal, assistant secretary of State for South Asia, Christina Rocca stated American goal for Nepal as, “we want Nepal to be a peaceful, prosperous, and democratic country where civil liberties and human rights are protected” (Rocca, 2005). US assistance to Nepal during this period was both in the form of military and non-military assistance. See table two below for the detail distribution of US assistance to Nepal between 2001 and 2006.

Table 2: US Assistance to Nepal, 2001-2006 (In USD thousands)

Categories	2001	2002	2002	2003	2004	2005	2006
Child Survival and Health (CSH) Development Assistance (DA)	9,250	20,000	-	19,899	24,840	23,540	23,000
Economic Support Funds (ESF)	11,858	7,597	-	10,247	8,874	10,000	11,392
Foreign Military Financing (FMF)	0	3,000		4,000	4,971	4,960	5,000
International Military Education (IMET)	0	2,000	12,000	2,950	3,975	1,488	4,000
Peace Corps	273	377	-	500	546	650	650
Total	1735	2,111	-	2,624	2108	394	0
	23080	35,085	12,000	40,220	45,314	41,032	44,042

Source: CRS Report RL31362, US Foreign Aid to East and South Asia: Selected Countries, by Thomas Lum; US Department of State.

In the year 2003, a platoon-sized team of US Pacific Command forces was also engaged in a month-long joint military exercise in Nepal. This happened as a part of continuing military exchange program that was established in the mid-1990s. However, in May the US Ambassador to Nepal made it clear that the US “does not seek to establish any US base in Nepal and the US does not have any strategic interest in Nepal,” he added the US military is there “just to train the Nepali soldiers in anti-terrorist techniques.” Nevertheless, the Maoists expressed their opposition to any US military presence in Nepal and stated that they will fight US military forces if they entered Nepal (Tiwari 2003). The US Department of State also listed the Communist Party of Nepal (Maoist) as a Terrorist Organization. The US Department of State criticized the Maoist insurgents for human rights violation. Two of the main targeted groups of the Maoists were police and the army. However, they killed and injured civilians equally. Among others political leaders, local elites, and suspected informers were their targets. According to Gautam (2015) one of the most serious crimes committed by Maoists was recruiting children as young as 14 years from historically marginalized and oppressed communities.

Cultural Relations between the US and Nepal

In an interview with *the Kathmandu Post* published in April 2017, Cultural Affairs Officer of US embassy, William Holton, said, “Nepal and the US share a very good bilateral relationship. We have been

helping each other in various ways through the decades and this event honors that special friendship." He added, "Having previously hosted events that focus on the political aspects of the bilateral relationship, we wanted to organize a celebration from a cultural point of view as well. Nepal and the US share a relationship outside of just politics and development and this event honors those cultural exchanges." One of the main attractions of the event was the information booth for students applying for further studies in the US. According to the Institute of International Education, as of 2012, Nepalese students from the 11th are the largest group of international students studying in the United States, representing 1.3 percent of all foreigners pursuing higher education in America.

Speaking about the booth, Janak Raj Bhatta of US Embassy in Nepal said: "Among many Nepali students applying for further studies to the US, it is rare have information regarding how to do it correctly. As this event is youth-oriented, we decided to include an information center for the students so that they have a better idea about studying in US, as well as how to correctly go about it." Another stall, by National Election Commission, featured stimulation of the local election happening in spring of 2017. According to the US Embassy Nepal, it will also be hosting three other cultural festivals in various part of country in 2017 to celebrate the cultural, political, and economic bilateral ties the two countries share.

Concluding Remarks

Examining relations between Nepal and the United States in the 20th and 21st centuries demonstrates power relations in three distinct areas: strategic or military interests, political interests, and economic power. With respect to security interests, in the geopolitical context of the 1950s, aid from the United States successfully and indirectly helped Nepal to maintain its independence (Khadka 1993: 90). Nepal's former Foreign Secretary Y.N. Khanal (1973) noted "Nepal's relations with the United States have helped to maintain a balance in its friendly relations with India and China." However, after the mid-1960s when the US deemphasized its strategic interests in Nepal, it is difficult to attribute Nepal's success in maintaining its independence and neutrality to US aid programs. Since the 1970s, Nepal has received aid as part of a US global policy, offered with general objectives and guidance.

Regarding US political interests in fostering democracy, the US aid program also had mixed results. While the United States did not fail to emphasize democracy, human rights, and freedom when aid was questioned, it lent indirect support to the absolute rule of the monarchy by way of funding the various plans and program conducive to its continuation and by maintaining close contacts with the palace and its supporters. Americans believed the monarchy to be a much stronger bulwark against communism and at times even advocated that a democratic order may not be quite appropriate for Nepal. From 1960 through 1990, the US embassy and its aid organizations "took the position that the panchayat was a form of democracy," and when pressed at various times, adopted a gradualist approach, arguing that the panchayat was a "stepping stone to full democracy for which the Nepali people were said to be not quite ready" (Khadka 1993: 91). With respect to economic development, the United States supported agricultural and social service sectors on a consistent basis throughout the panchayat years (1961-1990). The primary objective of US aid in the 1970s was to raise production in Nepal's agricultural sector. Prior to 1962, the US aid period had only limited success in Nepal's economic development due to the chronic problem of political instability, the US's limited experience in working in a socio-political milieu totally different from the west, and the lack of a well-defined relationship between the USOM and Nepalese bureaucracy (Mihaly 1965: 84-86, 133-34). Although failure to attain a higher economic growth rate cannot be attributed solely to US aid, the decades long experiment with the US aid did not directly lead to higher economic growth and a better standard of living in Nepal.

In the future, US - Nepal relations will likely also be shaped by transnational organizations and networks following the pattern of US bilateral relations with states in other regions across the globe. The US State Department listed the Communist Party of Nepal (Maoist) as an "Other Terrorist Organization," although no links have been identified between the Nepali Maoists and international terrorist organizations operating beyond the region (*BBC Monitoring* 2002). Still, several hundred Nepali police and Royal Nepal Army officers received anti-terror training under an anti-terror training agreement between the United States and Nepal, an agreement targeted by Maoists in their negotiations with the Nepali government. Terrorism and transnational actors will continue to be at the forefront of US relations with states in South Asia, following a pattern of mixing

economic policy, military power, and cultural relations established during the Cold War.

References

- Acharya Meena, Yuba Raj Khatiwada and Shankar Aryal. (2003), *Structural Adjustment Policies and Poverty Eradication*, Institute for Integrated Development Studies.
- Adams, John, and Hans-Peter Brunner. (2003), "Technology and Institutions in the Process of Economic Reform: Achieving Growth with Poverty Reduction in South Asia," *Journal of Economic Issues*, Vol. 37, No. 2:363-369.
- Ahearne, James. (2009), "Neoliberal Economic Policies and Post- Conflict Peace-Building: A Help or Hindrance to Durable Peace?," *POLIS Journal*, University of Leeds, Vol. 2:1-44, Winter.
- "Ambassador Chester Bowles's statement in Kathmandu," *The New York Times*, 19 February 1953.
- "Ambassador Chester Bowles's statement in Kathmandu," *The Times of India*, 20 February 1953.
- Anderson, Liam D. (2013), "Searching for Security: India's Role in the Post-war Federal Democratic Republic of Nepal," *Himalaya: The Journal of the Association for Nepal and Himalaya Studies*, vol. 33, no. 1: 10-24.
- Asian Development Bank, (1991), *Asian Development Outlook 1991*, Manilla: Asian Development Bank.
- Chang, Ha-Joon. (2007), "Institutional Change and Economic Development: An Introduction," in Chang (ed.) *Institutional Change and Economic Development*, United Nations University Press, Tokyo, New York and Paris.
- Chang, Ha-Joon. (2011), "Institutions and Economic Development: Theory, Policy and History," *Journal of Institutional Economics*, Vol.7, No. 4:473-498.
- "Christina Rocca Delivers Remarks at the Institute of Foreign Affairs," *Federal Document Clearing House*, May 10, 2005.
- Crossette, Barbara. (1990), "India to Lift Nepal Embargo and Discuss Rift," *The New York Times*, 12 June 1990.
- Gautam, Kul Chandra. (2015), *Lost in Translation: Rebuilding Nepal from the Maoist Mayhem and Mega Earthquake*, Kathmandu, Nepal: Nepalaya.
- Guess, George M. (1987), *The Politics of the United States Foreign Aid*, New York: St. Martin's Press.
- Guirat, Mehdi Ben and Corinne Pastoret. (2010), "Financial Constraints on Economic Growth in the Maghreb Countries," *International Journal of Political Economy*, Vol 38, No. 4, Winter 2009-10:66-85.

- "His Majesty King Birendra Bikram Shah Dev's interview," *The Independent* (Kathmandu), 8 January 1992.
- "Interview with Y.N. Khanal," *The Rising Nepal* (Kathmandu) 6 September 1973.
- Kapur, Devesh and Richard. Webber. (2000), "Governance-related Conditionality of the IFIs", G-24 Discussion Paper Series, No. 6, Geneva: UNCTAD.
- Khadka, Narayan. (1991), *Foreign Aid, Poverty, and Stagnation in Nepal*, New Delhi: Vikas Publishing House.
- Khadka, Narayan. (1993), "Democracy and Development in Nepal: Prospects and Challenges," *Pacific Affairs* vol. 66, no.1 (Spring): 44-71.
- Khadka, Narayan (1997), *Foreign aid and Foreign Policy: Major Powers and Nepal*, New Delhi: Viskas Publishers.
- Khaka, Narayan. (2000), "US aid to Nepal in the Cold War Period: Lessons for the Future," *Pacific Affairs* vol 73, no. 1 (Spring): 77-96.
- Khanal, Kalpana. (2014), *Exchange Rate Policy in Development Theories: To Fix or to Float in the Case of Nepal*, A Dissertation in Economics and Social Science Consortium, University of Missouri Kansas City, Doctor of Philosophy.
- "King Tribhuvan B.B. Shah Dev (Speech)," *The Statesman*, 18 June, 1954.
- Kregel, J. A. (2004), "Using Minsky to analyze the Impact of International Development Finance on International Financial Stability." *Working Paper No.33*, center for Full Employment and Price Stability, University of Missouri, Kansas City, April:1-26.
- Gulick, Lewis. (1965), "Aid: Where it goes now, what is spent." *Chicago Tribune*. 7 November 1965: 1B, p. 3.
- Lincove, Jane Arnold (2009), "Are Markets Good for Girls? The World Bank and Neoliberal Education Reforms in Developing Countries," *The Whitehead Journal of Diplomacy and International Relations*, Winter/Spring: 59-75.
- Lum, Thomas. (2008), "US Foreign Aid to East and South Asia: Selected Recipients," CRS Report for Congress, CRS Report RL31362, October 8.
- Mahendra, H.M. King. (1967), *Proclamations, Speeches, and Messages*, vol. 2 Kathmandu: Department of Publicity, Ministry of Information and Broadcasting.
- Mihaly, E.B. (1965), *Foreign Aid and Politics in Nepal*, London: Oxford University Press.
- Muni, S.D. (1973), *Foreign Policy of Nepal*, Delhi: National Publishing House, Delhi, India.
- Nepal Today. (1950), New Delhi, Hindu Outlook, p.47.

- Nye, Joseph. (2011), *The Future of Power*, New York, NY: Public Affairs.
- Ocampo, Jose' Antonio, Jan Kregel and Stephany Griffith-Jones. (2007). *International Finance and Development*, Orient Longman, Zed Books, London and New York, Third World Network.
- Pant, Y. P. (1956), *Nepal's Economic Development on International Basis*, Nepal Council of Asian Relations and World Affairs, Kathmandu.
- Paris, Roland. (1997), "Peace building and the limits of Liberal Internationalism", *International Security*, Vol. 22, No.2: 54-89, Autumn.
- Paris, Roland. (2004), *At War's End: Building Peace After Civil Conflict*, Cambridge University Press.
- Phuyal, Surendra. (2003), "US Forces in Nepal for Joint Military Exercise," *Kathmandu Post*, 14 January 2003.
- Pugh, Michael. (2006), "Post-War Economies and the New York Dissensus", *Conflict, Security and Development*, 6(3): 269-289, November.
- Rana, Bhola. (1990), "Nepal's king gives in, restores political parties." *UPI*, 8 April 1990.
- Rose, L.E. (1971), *Nepal: Strategy for Survival*, Berkeley, CA: University of California Press.
- Ruttan, Vernon W. (1996), *Development Assistant Policy: The Domestic Politics and Foreign Economic Aid*, Baltimore: John Hopkins University Press.
- Schneider, David T. (1983), "Balancing Strategic Interests and Human Rights in South Asia," *Department of States Bulletin*, vol. 83, no. 2071, Washington, DC: Bureau of Public Affairs.
- Shamsher, Mohan. (1948), "Nepal Today," Speech of the Prime Minister on the Question of Constitutional Reforms in Nepal, January 26, 1948 (typescript).
- Thornton, Thomas P. (1993), "US Strategic Interests in South Asia," in Hafeez Malik, ed., *Determinants of National Security and Cooperation in India and Pakistan*, New York: St. Martin's Press: 34-53.
- Tiwari, Chitra. (2003), "Nepal Maoists Agree to Bargain," *The Washington Times*, 2 August 2003.
- Upadhyaya, Ramji. *Nepal ko Itihas* (History of Nepal), Banaras, pp.398-99 as cited in Rose (1971).
- "Update from the Harvard Alumni Group in Nepal: US-Nepal relations," Harvard University South Asia Institute, 17 May 2016.
- US CIA official, (1996), "Personal Communication, April 18, 1996," in *Confidential US State Department Central Files. China: Foreign Affairs, 1950-1954*, Frederick, MD: University Publications of America.
- "US Official Reiterates His Country's Support," *BBC Monitoring South Asia*, 6 September 2002.
- "US Envoy Says No Plan to Establish Military Bases in Nepal," *BBC Monitoring South Asia*, 6 May 2003.

- US Department of State (April 2005), *Country Report on Terrorism 2004*, Washington, D.C.: Dept. of State.
- Vaughn, Bruce. (2006), *Nepal: Background and US Relations*, Washington, D.C.: Library of Congress Congressional Research Service.
- Veltmeyer, Henry and James Petras. (2005), "Foreign Aid, Neoliberalism and US Imperialism," in *Neoliberalism a Critical Reader*, edited by Alfredo Saad-Filho and Deborah Johnston, Pluto Press, Ann Arbor, MI.

Chapter 5

China's Foreign Aid to Nepal: An Assessment

Khadga K.C. and Shree Krishna Silwal

Background

It can be said that since Nepal received its first aid package in the 1950s, the country has remained a fertile ground for experimentation in bilateral and multilateral aid regime. Foreign aid in Nepal is understood to encompass a broad range of activities, ranging from technical grants, loans, scholarships, and endowments to all forms of assistance in cash and kind provided by multilateral, bilateral, international and nongovernmental organizations, private foundations, and even foreign nationals. This sort of understanding of foreign aid makes the term itself confusing.

China defines its foreign aid within the framework of South-South Cooperation, and adopts "mutual benefit and common development" as the basic principle for delivering aid. According to "White Paper on Foreign Aid" published by the Chinese Government in April 2011, China's foreign aid is guided by the following five principles: first, unremittingly helping recipient countries to build up their capacity to self-develop; second, imposing no political conditions; third, adhering to equality, mutual benefit and common development; fourth, remaining realistic while striving for the best; fifth, keeping pace with the times and paying attention to reform and innovation.

China relates poverty reduction with social security issues. And this fact was illustrated in Deng Xiaoping's theory of "Three Favorables", i.e. that development should promote the growth of the productive

forces in a socialist society, increase the overall strength of the socialist state and raise the people's living standards (Yanbing & Ying 2012).

China has a permanent and keen interest in Nepal and foreign aid can be seen as one of the means through which China is trying to attain its interest especially after 2000. In fact, there are a lot of opportunities for Nepal as well. In order to fulfill the investment – saving gap, export-import gap, fulfill the shortage of finance, and to fulfill the National interest as enshrined in Article 5 of the constitution of Nepal to make economically independent country there are huge possibilities and opportunities that foreign aid can provide. Due to social, ecological, geographical, political and strategic features Nepal has high opportunity to mobilize international assistance.

Despite the fact that there is lot of opportunities that foreign aid can deliver, needless to that there are a number of problems as well: Channelization of aid not through government mechanism, scattering of aid in many smaller projects, causing fragmentation with high transaction costs and additional burden for both the Government and the development partners, lack of effective implementation of Development Cooperation policy, lack of timely and proper monitoring and evaluation procedures, lack of adjustment between sustainable development and National result are among few of the problems that hinders the effectiveness of aid.

China's Foreign Aid Regime

Beijing has focused its policies vis-à-vis Nepal on encouraging the Himalayan state's neutrality by trying to reduce its dependence on India in the political, economic, and security arena (Dabhade & Pant 2004). Some view China's Interest in Nepal is to complicate India's relation with Kathmandu. China's occupation of Tibet in 1950 heightened both Chinese interests in and influence over Nepal. On the one hand, Beijing feared that Nepal bordering Tibet, would be used by its Cold War rivals for anti-China activities, a problem further compounded over the years by the growing presence of Tibetan refugees in Nepal. (Khadka 1999). On the other hand, the occupation of Tibet extended Beijing's reach into Nepal. China reportedly regarded Tibet as the palm and Nepal, Bhutam, Sikkim, Ladakh and the region today covered by much of the Indian state of Arunachal Pradesh as the five fingers of Tibet.

Beijing's policy toward Nepal appears to be driven by the twin objectives of expanding influence in Nepal and suppressing anti-China activities of the Tibetan community residing in Nepal (Mathou 2005). China's interest and involvement in Nepal are perhaps greater than Beijing claims, but also significantly more modest than India fears. One issue-Tibet-continues to override all others. China makes friendship with any Nepali government that keeps a lid on political activity by the estimated 20,000 Tibetans in the country (Pandey 2006).

Since 2006, China has stepped up aid, opened new cultural centers, expanded visits, and offered Nepal nonlethal military aid and training by the Chinese People's Liberation Army (PLA). This shows that China certainly views Nepal as lying on an important strategic boundary at the juncture of its and India's spheres of influence. However, China's long-term intentions toward Nepal are not inherently benign: they depend entirely on China's perceptions of its self-interest, which could demand less friendly approaches. But according to a Chinese diplomat in an interview comment in Beijing in July 2009, relayed by the International Crisis Group "What China is doing in Nepal is to help the country achieve development and stability. This is in line with China's international role and the aspirations of the international community. We are not stopping any other country from doing the same for Nepal" (Chaturvedy & Malone 2012).

Indeed, China's growing preoccupation with Nepal appears to be commercial and economic, as it seeks outlets for the manufacturing that drives its own phenomenal growth. In addition to the older Kathmandu-Kodari Highway, which is widely used for transit of Chinese goods to other parts of the region, the other seven important transit points between China and Nepal are being strengthened. In March 2006, Nepal and China signed an agreement promising further economic and trade cooperation that could benefit Nepal (Chaturvedy & Malone 2012).

The foreign aid mechanism of China can be associated with Marxist theory rather than western theories like modernization, neo-liberalism and developmental state theory and there are many motives/interests of China: Strategic, Economic, Political, Humanitarianism (altruist). Strategically, the main concern of China is the Tibetan issue and China is very cautious about the possibility of the use of land of Nepal for

anti-Chinese activities. Nepal has adopted 'One China Policy' but time and again the uprising against China mainly in the Tibetan refugees' area of Nepal is a deep concern for China. China's political motive does not seem to stir the dynamics of domestic politics of Nepal though post 2008 the involvement can be seen surging up through economic modes and various high level diplomatic visits. In an interview with Dai Young Hang from Institute of South Asian Studies, Sichuan University. He states that China's political objective in Nepal is to view political stability in Nepal as it is directly related with China's stability and has no intention to interfere the evolving democratic practices after 2007 (interviewed 18 July 2016).

Though economic motive of China through market expansion in Nepal seems unlikely due to the small market size but China is trying to make Nepal favorable market and supply base for certain commodities. The Qinghai-Tibet railway connecting Nepal shows the prospect of economic transaction which is lucrative for China for expanding its economy and may prove equally beneficial for Nepal for trade diversification.

Another motive can be altruist or humanitarian motive. Realizing foreign policy of China influenced by Confucian values, good neighborhood policy, principles of Panchasheel among others, China has always tried to decrease human sufferings caused by disasters, floods, landslides, earthquakes. As per Gulin Sheng from Institute for Disaster Management and Reconstruction, Hongkong Polytechnic University; China and Nepal shares similarity as both are prone to disasters, thus providing relief, rescue and post reconstruction work are high priority of China to Nepal. So, Humanitarian aid provided by China can be regarded as for Humanitarian motive. In response to the earthquake of 24 June 2015, the Government of Nepal hosted the one-day International Conference on Nepal's Reconstruction (ICNR) which was expected to deliberate on Nepal's Reconstruction Plan as articulated in PDNA (Post Disaster Need Assessment) and secure adequate funding commitments for its implementation. Ministers for Foreign Affairs from China also participated in the conference and pledged USD 766.93 million on behalf of Chinese government to provide. Similarly, in the reconstruction work China is assisting in designing and setting up settlement area in disaster prone areas.

China's Foreign Aid Dynamics

China's global outward FDI has been on an impressive growth trajectory for the last decade. This impressive growth has made China one of the world's largest exporters of FDI, accounting for almost 10 percent of global outward FDI flows (Tripathi 2016). Similarly, foreign aid disbursement of China to Nepal is increasing since 2000 and it has become top five contributor of foreign aid in recent years.

Table 4: Top 5 Bilateral Development Partners According to Disbursement in Fiscal Year 2014-15

<i>Bilateral Donors</i>	<i>Disbursement (in USD)</i>
United Kingdom	168,073,845
USAID	132,370,217
Japan	39,867,923
China	37,948,751
Switzerland	32,467,406

Source: Development Cooperation Report 2014-15, Ministry of Finance, Government of Nepal

Table 5: Actual Aid Disbursement of China from FY 2010-11 to 2014-15

<i>Actual Disbursement 2010-11 (USD)</i>	<i>Actual Disbursement 2011-12 (USD)</i>	<i>Actual Disbursement 2012-13 (USD)</i>	<i>Actual Disbursement 2013-14(USD)</i>	<i>Actual Disbursement 2014-15(USD)</i>
18,843,988	28,344,923	34,120,033	41,381,522	37,948,751

Source: Development Cooperation Reports 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, Ministry of Finance, Government of Nepal

It is convenient to analyse the increasing trend of Chinese foreign aid by studying the disbursement amount by China in various Fiscal Years. Table 5 shows an incremental trend of foreign aid disbursement of China from 2010 up to 2014. The actual disbursement increases from 18 billion US dollar to 41 billion US dollar from 2010 to 2014 and a slight decrease in 2014-15 comparing with actual disbursement of 2013-14. Overall, the foreign actual aid disbursement seems increasing.

China's method of providing aid, in the past has displayed a distinctive feature. Once China establishes diplomatic relations with

a developing country China offer aid and encourage its future use for certain projects. The aid is given in the form of a grant, or as an interest-free loan, and interest is not requested most of the time. China sends medical teams, technicians and labour to live in the recipient country for the duration of the project at an equivalent standard of living to the indigenous population. All aid is claimed to be based on the premise that it will be of real value to the recipient country and not to the advantage of the donor. Finally, all aid has been strictly bilateral, that is country to country.

Regarding the continuity and change of Chinese foreign aid towards Nepal, there is continuity in the sense that China is providing foreign aid in the form of grants, loans and technical assistance but there is a change as it is strictly based on need of the recipient country rather than their demand. The benign policy has been shifted towards more pragmatic policy after 2000s. There is replacement of demand based foreign aid to need based aid. China is providing aid to various sectors in recipient country only on need basis. Song of Institute of South Asia Studies emphasized the fact that China has become more pragmatic after 2000 and provides aid on the basis of actual need of the recipient country and demands something in return as a donor. So, gone are those days of Chinese benefactor role in aid mechanism and here comes the more pragmatic aid mechanism. Similarly, analysis of the foreign aid commitment and disbursements shows the increasing trend of loan than grant indicating there is no free money available in the world anymore.

Not only there is change in foreign aid but Chinese investment has surged after 2008. Chinese investments in Nepal have surged outranking India in 2014 for the first time. In 2015-16, China contributed 42 percent of total FDI to Nepal and there is increase in Chinese Overseas Development Assistance (ODA) also. Comparing between China and India China's aid overtook Indian aid in 2015, growing steadily from USD19 million in 2010-11 to USD38 million in 2014-15 (Bhatia, Deutekom, Lee, Kulkarni and Nyoupane 2016).

Nepal-China Development Partnership

As per (Wolf, Jr., Wang and Warner 2013) China has focused its aid in South Asia mainly on infrastructure and financial aid. Though China has succeed to be in the list of top five aid donor countries only in Fiscal year 2013-14 but its significance can be seen in many

ways and in many areas. With China's financial and technical assistance, more than 30 projects have been completed so far in Nepal. China has tremendously helped Nepal through construction of many projects, establishment of industries and infrastructure build-up.

Arniko Highway, Kathmandu Ring Road, Prithivi Highway, Kathmandu-Bhaktapur road, Gorkha-Narayanghat road, Narayanghat-Munglin highway, Saprubeshi-Rasuwagadi Road under construction, Seti Bridge, Sunkoshi Hydro Project, Birendra International Convention Centre and City Hall, Bansbari Leather and Shoe Factory, Bhaktapur Brick and Tile Factory, Harisiddhi Brick and Tile factory, Hetauda Cotton Mill, Bhrikuti Paper Mill, Lumbini Sugar Mill, Gorakkali Rubber Udhog, B.P Koirala Cancer Hospital, Civil Service Hospital, NTV 2 Metro, Sports Complex of Kathmandu and Lalitpur, Pokhara-Baglung Highway etc. are some examples of such projects assisted by Chinese government.

Other projects included textile projects, water control and irrigation, construction of Gorkha-Narayanghat, 13 Kilometers Kathmandu-Bhaktapur trolley-bus line with its own transformer station and repair shop. China has provided economic and technical assistance in the form of a free grant to Nepal for the purpose of building the Pokhara water-control and irrigation project, together with Gandak trunk canal and a small hydro-electricity. China provided the necessary construction materials and equipment, engineering and technical personnel, as well as supplying a number of other commodities. Further, agreements on construction of a dam on the Seti River for the generation of 1000 KW of power were taken place on 1976.

The major areas of cooperation between Nepal and China after 2000 as mentioned by Song of Institute of South Asian Studies are: Hydro Power, Infrastructure building, construction of dry ports, connectivity (road projects, transportation, technology), humanitarian aid, education (technical schools), technical assistance and infrastructure building in security agencies.

Recently, some of the major projects undertaken by China were economic and technical cooperation (small projects), improvement of Kathmandu Ring Road in Nepal, Upper Trishuli 3A Hydroelectricity Project, Nepal National Armed Police Academy. For

enhancing the cooperation in technology, China handed over an Optical Fiber cable project, Zhangmu-Kathmandu Optical Fiber Cable project as it is named.

Similarly, investment of China is evident across major infrastructure and energy projects in Nepal. These include the West Seti Dam, the Pokhara Airport and Upper Trishuli hydropower project. The Chinese government-funded Asia-Pacific Exchange and Cooperation Foundation plans to invest USD 3 billion to convert Lumbini, the birthplace of Buddha, into a cultural “zone”. It is important for tourism development and attracting many Buddhist pilgrims and tourist especially from China. In return, Nepal has agreed to extend its cooperation to the Silk Road Economic Belt, part of China’s ambitious One Belt One Road initiative.

Analysis of Project Implementation and Aid Effectiveness

Foreign assistance financed 60-80 percent of Nepal’s annual development budgets in the 1990s and accounted for over 10 percent of GDP (Pyakurel, Adhikari, & Dhakal 2008). At present also the foreign assistance covers about 20 percent of the total National budget of Nepal according to concept paper of Fourteenth plan. Foreign aid has become a major component of the Nepal’s National Budget (Khadka 1997). But what is the real effectiveness of foreign aid in the growth and development is a major issue to deal with.

A paper discussing on the long-run contribution of aid suggests that aid has a positive impact on growth and development (Arndt & Jones 2015) argues that foreign aid is not detrimental. It enhances physical capital accumulation, improves human capital, and sustains economic growth based on the research of four decades from 1977-2007. In the article, ‘Development assistance on the brink,’ (Thearrien & Lloyd L,2000) also point out the positive aspects of foreign aid. It has improved living standards in the Third World, has contributed to a drop in child mortality, improved access to clean water, assisted in the control of diseases like smallpox and polio, played a leading role in the increase in family planning, and facilitated the development of new crop varieties and irrigation programmes. It has promoted democracy, institution-building and capacity development and improves human rights in the developing world as well.

Similarly, in Robert Cassen's international taskforce report, "Does Aid Work?" also concludes 'the great majority of aid succeeds in its developmental objectives'. While according to Helble, Mann, & Wilson (2012) the literature on aid and growth disagrees on whether there is a positive relationship between aid and growth. There may be many reasons for this, including the type of aid delivered and absorptive capacity in developing countries.

In the case of Nepal, study shows there were positive impacts of Chinese foreign aid in Nepalese economy. China has provided aid especially in infrastructure development and industrialization, thus, helped to grow industrialization process and even making Nepal self-sufficient in some consumer goods. Chinese aid has managed to enhance the Nepalese national economy, creating a base for industrialization and helped in the quest for industrialization. Chinese aid especially in infrastructure development, technology and innovation, hydropower and energy generation, irrigation and canals, hospitals, training and equipments to security agencies, world wide web (internet enhancement) has created conducive environment to have economic development and to through transportation and road linkages helped to diversify trade as well. The relief and rescue assistance by China after the devastating earthquake of 2015 has managed to get praiseworthy response from Nepal and has created positive impact in the relation between two countries.

There is another argument that foreign aid has mixed result. It has not been that successful in contributing to growth especially with regards to its ability to supplement savings, foreign exchange and government revenue. And it is not very encouraging to facilitate economic policy autonomy and to compete in regional and international markets. It is true by the fact that Nepal still has not been able to be self-sustained economy and still depend upon aid for its budget, which comprises 20 percent of budget. So, it shows it has not been effective as it was planned to be.

Some of the reasons for not getting the expected outcome of foreign aid are Nepal suffering from absorptive capacity and high aid volatility. The exceeding size of aid compared to the absorptive capacity of the country leads to decrease in institutional quality, increases corruption and leads to negative growth. It causes effect in country's labor market as the development sector diverts most of

the skilled workers away from the private sector and government toward higher paying donor-related jobs.

Aid Conditionality and China-Aid

In developing world, conditionality associated with foreign aid has been under considerable controversy. Donor often applies conditions on aid programs to encourage recipients to act more in accord with the donors' interest. Various policy-related and procedural conditionalities not compatible with the recipient country's situation not only constrain the beneficial impact but also counter the expected outcome from projects while limiting the use of appropriate, suitable and economic technology.

There are two types of aid conditionality one imposed by the donor and one from the side of recipient. The Foreign aid policy clearly mentions that the priority will be given to the qualified local level Nepalese consultants for project-specific assignments. But the problem being the recipients are reluctant to push the policies during project negotiations. Donors may also have their own interest for providing aid, such as political benefit, benefits in trade or providing benefits to their own citizen. The Chinese believe in an old saying, which is "do not impose on others what you dislike yourself". This belief, together with China's firm position on national independence and sovereignty, means that "imposing no political conditions" is one of the core principles of China's foreign aid policy but it is a fact that China's aid policy has become more pragmatic and seeks something in return for its advantage.

Besides these problems, shortcomings in institutional capacities, country's geographical location and mountainous terrain, widespread poverty, high rate of population growth and urgent environmental concerns, among others, pose daunting challenges to development and the effective absorption of aid (Ministry of Finance 2002).

Channelization of Aid and Fragmentation

According to Shakya (2012), "Bilateral and multilateral agencies continue to provide grants to Nepal that are not coordinated with the government's development plan or channeled through the government treasury. This lack of oversight means that countries are free to provide grants directly to organizations in Nepal, as India

does through its embassy, which finances the building of schools, or like the Chinese government that sets up cultural centers around Nepal.”

Table 6: Fragmentation of China's aid

<i>Fiscal Year</i>	<i>No. of Projects</i>	<i>No. of Counterpart Ministries</i>
2014-15	3	3
2013-14	3	3
2012-13	5	4
2011-12	7	6
2010-11	6	5

Source: Development Cooperation Reports 2014-15, 2013-14, 2012-13, 2011-12, 2010-11, Ministry of Finance, Government of Nepal.

Development Partners ODA portfolios in Nepal appear relatively fragmented. Each Development Partner on average is found to have been engaged in 8 different counterpart ministries/agencies in Fiscal Year 2014-15 compared to 9 in the previous year. This shows some improvement in the average number of counterpart ministries covered by Development Partners. However, many Development Partners are associated with more than 10 counterpart ministries/agencies. This clearly shows they need to pay their attention on concentrating resources in selected sectors where they have comparative advantage.

Analysis of sector fragmentation by donor portfolio indicates that China have reasonably less fragmented sectors. From the data it is clear that the aid disbursement is largely on budget disbursement and reflected in the Government's annual budget book.

Ownership and Accountability of Aid

Some of the inherent challenges are : Having ownership of aid funded projects with the donor government, translating the principle of mutual accountability into practice that calls for holding the donor and the government accountable to each other, National agenda and priority preparation and presentation etc.

When donors have different sectoral priorities and recipient cannot keep track of those, as well as when there is no proactive involvement of recipient counterparts and local level then there will be problem

of ownership till the end of the project and thereafter also and principle of project choice will be based on adhocism, leading to poor sense of ownership and accountability. It is also due to relative unpreparedness and lack of support services demanded by the concerned project.

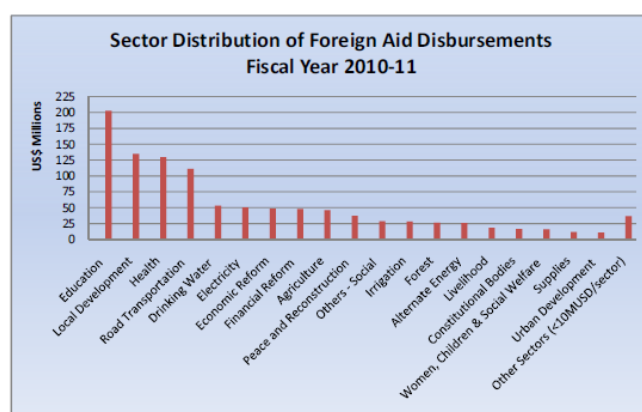
The goals of development can be achieved when the recipient country own its development strategy, determining the goals, timing, and sequencing of its development programs and stakeholders feel a sense of ownership in the process of development. It is the ownership which helps to protect and safeguard the assets meant for their common benefit. The practice of direct funding by the donors and with overall executing authority has further marginalized the strength of ownership and sustainability in the aided projects.

While implementing, there are some challenges like strengthening the public financial management, aligning all the development partners with the country system by enhancing the internal capacity, harmonizing exercises among the development partners in sectors such as education and health, and to roll over this practice to other sectors as well, increasing the participation of private sectors, local peoples and concerning bodies to participate in implementation process and in development efforts. Additionally, low level of absorbing capacity, frequent changes in the scope of the project, time lag, cost overrun etc. are other possible implementation problems.

Commitment vs Disbursement Issues

One of the major problems of Nepalese foreign aid is the large divergence between commitment and disbursement of aid. One of the major reasons behind this is the political instability. There is no uniform information system related to foreign aid, no uniform database system and the same statistics vary significantly in different reports.

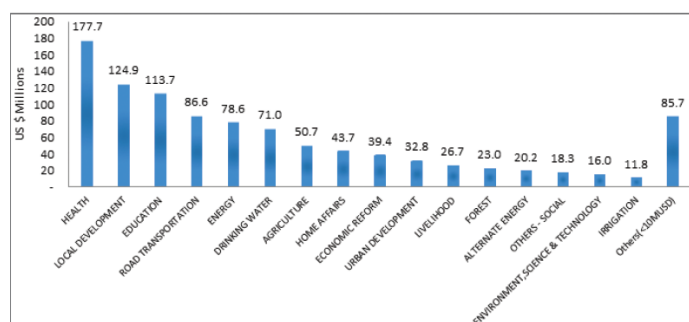
In the Fiscal Year 2010-11 four sectors have received over 100 million USD disbursement. These are education, local Development, health and road. Other major sectors receiving around 50 million in disbursements are drinking water, electricity (alternative energy not included), financial reforms, economic reforms, and agriculture.



Source: Development Cooperation Report 2010-11

The social sector has dominated the economic and infrastructure sectors regarding aid mobilization in Nepal. It is found that there has been no improvement in the disbursement in energy and road transportation sector even in FY 2014-15. Low disbursement in energy and road transportation sector was partly due to the impact of April earthquake in Nepal. The reason for low capital expenditure in these sectors can be attributed to factors such as procurement management, land acquisition, negligence of contractors, and obstructions created by local beneficiaries among others. A decline in disbursement levels is also noticed in peace and reconstruction, forest, drinking water and tourism sectors. Similarly, there has been a visible increase of disbursement in home affairs, urban development, livelihood and alternate energy sector in FY 2014-15 compared to previous year.

Fig.2. Sector-wise Distribution of ODA in FY 2014-15

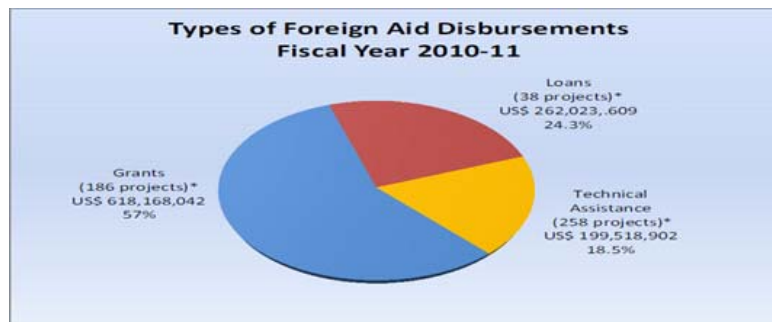


Source: Development Cooperation Report 2010-11

From the comparative analysis of sector-wise assistance of Fiscal Year 2010-11 and 2014-15, there is a pattern that most of the expenditure took place in social sectors, like health, education, local development. Infrastructure development, production of energy, alternate energy, economic reform, science and technological development lag far behind, which are also very important factors for the sustainable and rapid economic growth. Thus, while implementing projects focus need to be given in making a suitable economic base by focusing on infrastructure, energy, science and technology and bringing reform in economic system like public-private partnership, social transformation can be done. So, aid need to be disbursed in creating economic base for social viability. There is need of spending scarce aid resources on the sectors having competitive advantages.

During sixties and seventies, share of grant used to be three fourth of the total aid. But share of grant started to downfall gradually. And the problem with loan is the country need to pay back interest and principle in the prevailing exchange rate, not in the exchange rate prevailed during receiving the loan (Pyakurel, Adhikari and Dhakal 2008). With the dominance of loan proportions in the foreign assistance and the maturity of debts, a cautious approach to proper management of the valuable external resources is deemed a necessity. Regarding Technical Assistance projects, most of them are donor driven and overlook the actual necessity of the country. An analysis of the types of aid received in FY 2010-11 shows that grant represents 57 percent of disbursement, with loan standing 24.3 percent and Technical Assistance at 18.5 percent.

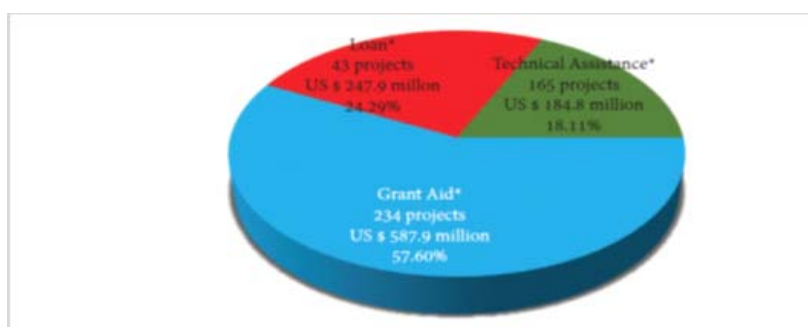
Fig.3. Types of Foreign Aid Disbursements in FY 2010-11



Source: Development Cooperation Report 2010-11

Out of the total amount disbursed in FY 2014-15, the shares of grant, loan and technical assistance were USD 587.971 million (58percent), USD 247.96 million (24percent) and USD 184.82 million (18percent) respectively. Disbursement of loan assistance has increased while the disbursement for grant assistance has declined as compared to the previous fiscal year. The largest provider of grant disbursement includes China in 7th Position with USD 28.75 million.

Fig.4. Types of ODA Disbursement during FY 2014-2015



Source: Development Cooperation Report 2014-2015

The proportion of grant is high but China's policy of need based assistance rather than free grant is worth noticing as it may significantly increase the loan amount which further burdened our National economy.

Budget Expenditure of Foreign Assistance Assessment

The Development Cooperation Report of 2014-15, looking at the trend of the Government's total annual budget (including aid component) allocation and expenditure of the last six years (FY 2009-10 to FY 2014-15), more than 80 percent of the budget is spent each year.

In FY 2009-10, the budget expenditure was 90.82 percent and the amount spent reached Rs. 259.6 billion against the total budget Rs. 285.9 billion. Whereas, the expenditure amount was Rs. 434.4 billion against Rs. 517.2 billion in FY 2013-14 and it reached Rs. 521 billion against the total budget Rs. 618 billion. The budget allocation as well as the expenditure volume has almost doubled from FY 2009-10 to FY 2014-15. In real term, although the annual expenditure has not reached the target each year, the percentage of expenditure against

allocation is more positive compared to the expenditure of aid component only.

Table 7: Comparison of Budget and Expenditure in different Fiscal Years

Rs. In '000			
<i>Fiscal Year</i>	<i>Budget Allocation</i>	<i>Budget Expenditure</i>	<i>% of Exp.</i>
2014-15	618,100,000	521,050,727	84.30
2013-14	517,240,000	434,423,146	83.99
2012-13	404,824,700	358,637,981	88.59
2011-12	384,900,000	339,167,485	88.12
2010-11	337,900,000	295,363,427	87.41
2009-10	78,516,250	49,769,353	63.39

Source: Development Cooperation Report 2014-15, Ministry of Finance, Government of Nepal

The issue of expenditure of foreign assistance is also a major issue, for the economic mobility, the overall budget and portion of budget received as foreign assistance need to be timely, systematically and properly utilized which is lacking in our context.

Discussion

Nepal-China has deep rooted ties from the ancient time. It has been nurtured by geographical, religious-cultural, political, diplomatic and economic dealings. Nepal is a land-locked country that separates the arid Tibetan highland from the fertile Ganga plain. Nepal shares 1,415 Km. border with China in the north. Buddhism is central to the relation between Nepal and China. Confucian, Taoism and Buddhism, introduced during the Han Dynasty formed the main branches of religious and philosophical thoughts in China. During the Tang Dynasty, Nepali princess Bhrikuti together with Buddhist scholars Shila Manju and Huo-Shang had contributed in introduction and development of Buddhism in Tibet.

During Ming dynasty, the Emperors renewed sending officials Missions to Nepal and received Nepali Missions to China. In the Yuan Dynasty, Araniko the eminent cultural Emissary of Nepal, visited China and contributed in fulfilling the wish of Emperor Kublai Khan to establish Buddhism as the guiding ideal for his Empire and also constructed stupas, temples and monasteries etc. The Great White

Pagoda constructed by Araniko has been a great historical monument and is still preserved. During the period of Ch'ing dynasty Nepali Kings used to mint coins for Tibet.

In 1911, after the Republican Government was established in China, the traditional relation between Nepal and China continued, and the exchange of visits of Buddhists and special official missions further consolidated bilateral relations. In 1946, a good will mission visited Nepal and extended goodwill on behalf of the Republic of China, and in response Nepal sent a mission headed by General Krishna Shumsher to convey good will of Nepal to China and explore the possibility of establishment of diplomatic relations between the two countries.

After the People's Republic of China was established in 1949, China provides one of its initial token aids to Nepal. Likewise, Nepal and China renewed their relationship with the establishment of diplomatic relations in 1955 since then Nepal advocated Chinese candidacy for U.N. membership later. The Treaty of Peace and Friendship was signed on 28 April 1960 and has consolidated age-old friendship and peace between the two countries. The boundary Treaty was signed in 1961 which has helped to establish border delineation and allowed both sides to enjoy a peaceful border permanently.

The frequency of mutual visits of Heads of State/Government of the two countries to each other's increased. King Mahendra and Birendra and Presidents Li Xiannian and Jiang Zemin, Premier Chou Enlai, Deputy Premier Deng Xiaoping, premiers Li Feng and Zhu Rongji from China and Prime Ministers Tanka Prasad Acharya, Bishweshwar Prasad Koirala, Kriti Nidhi Bishta, Girija Prasad Koirala, Man Mohan Adhikari and Sher Bahadur Deuba, K.P Oli and Prachanda from Nepal have regularly exchanged their visits after 1990. Nepal has maintained its pledge for its one China policy and had helped to get People's Republic of China readmitted at the United Nations. Nepal has supported China as an Observer state of SAARC as well.

After 2006, with the abolishment of Monarchy, Nepal adopted the Federal system of governance and the state system became more inclusive. China has supported the changes in Nepal and continues to foster political and diplomatic relations. Nepal aspires to bring

positive economic transformation with the change and China has assisted Nepal in various prospects to achieve the objective.

Even though Trade with China is increasing but it is very less as compared to trade with India due to difficult geographical terrain in the North and physical distance from the major market areas of China. Tourism is one of the sectors of comparative advantage which can be instrumental in spreading the benefits and providing alternative economic opportunities to build peace and prosperity for the people of Nepal. People-to-people contact, infrastructure development, campaigning to attract Chinese visitors should be adopted to promote tourism from China to Nepal. China has committed to give as a gift 60 million Indian Rupees to Nepal over a period of three years with that agreement. Government of Nepal was given full freedom in utilizing the amount and goods. Initially China had a distinctive feature in aid policy, aid money is given in the form of a grant, or as an interest-free loan, and seldom is interest requested and all aid has been bilateral.

Foreign investment as well as aid disbursement of China to Nepal is increasing since 2000 and it is among top five contributors of foreign aid in recent years. But there is a change in the pattern of foreign aid disbursement. The mode of assistance, which used to be only grant in the beginning, had gradually changed and the loan portion is becoming more dominant in the total aid structure. The Chinese aid mechanism has been changed with the adoption of pragmatic foreign policy of China, it is provided on practical basis, on need basis rather than demand from the recipient. China has focused its assistance mainly on infrastructural development, security, technical assistance, humanitarian assistance among others. Assistance in technology and internet service is a viable sector for Nepal's development. Chinese aid has a created conducive environment for economic development, helping to create infrastructural base, industrialization, providing technical assistance, technology transfer etc. The real issue is not the quantity of assistance that Nepal receives from China but the quality of usage to the received aid. Due to various policy level, institutional, administrative and implementation problems foreign aid has not been utilized properly in Nepal's development agenda.

Nepal-China economic relation is not satisfactory and it has helped very minimal in bringing positive change in the economic

transformation of Nepal as compared to other countries and development partners. The total trade share with China was about 10.3 percent in Fiscal Year 2010/11 as compared to 65.4 percent share of India. The trade deficit is increasing with the increase in trade with China. Lack of road networks, problems to regulate the existing roads for all seasons, smaller markets in Tibet for Nepalese products, connectivity issue in the big markets of main land and having fewer goods having comparative advantage to be traded are some of the major problems related to trade. So, the argument that duty free access of Nepalese good to China is a solution for reducing trade deficit is not totally valid. The only running Tatopani route has not been in used for trade due to devastating earthquake of 2015 which has added further complexities. A shift from aid to trade is the necessary approach to be implemented by Nepal and with an international freight train departing from Lanzhou to Nepal for Kathmandu there is emerging possibility and a ray of hope for trade diversification through Northern route in future.

Investment of China in Nepal seems escalated as it is the highest bilateral investor in Nepal in recent years. In Fiscal year 2013/14, there are 695 projects under Chinese investment approved in Nepal with Investment of NPR 43,805.66 helping in creating 36,242 jobs. China invests mainly in infrastructure building, hydro, tourism etc. Sectors in which China benefits is the priority investment sector of China rather than focusing on win-win situation. Other issue is the continuity of China's investment. With priority of China shifting to other South Asian Countries like Bangladesh, Srilanka, Pakistan for making its ambitious project 'One Belt, One Road' successful. So, the prospect of investment in Nepal depends upon the interest of China and Nepal's view on its 'One Belt, One Road' project which China is seeking.

While examining Chinese aid, it has certainly created an environment for economic mobility over the past 50 years. It has helped in construction of infrastructures like road, hydropower projects, various factories, airports, hospitals, sports complex etc. So, a viable economic base is formed with the help and assistance of Chinese aid. Humanitarian assistance provided after the devastating earthquake of 2015 is very significant contribution from China's side. Thus, the contribution of Chinese aid in Nepal's development cannot be undermined. However, partly due to the nature of regime and

their priority, Chinese aid in the areas of democracy building, human rights, institutional capacity building, social and political involvement is nominal or even negligible.

The aid conditionality imposed while granting aid and issue of ownership and accountability is always an important in this regard, decrement in the amount of grant and increasing loan amount from Chinese side to Nepal is creating burden in Nepalese economic system, causing more problems in balance of payment. Chinese aid has always been guided by its various strategic, economic and political objectives and will continue to remain so in future. Thus, foreign aid towards Nepal is not based merely on altruistic approach rather based on China's broader strategic policy of which Nepal is a part.

Aid regime in the world has distinctive feature that makes recipient country over dependent upon the donor. It can be asserted that though Chinese aid regime is different as compared to west and does not intend to spread their ideological values as such, but China is economic giant with persistent economic growth of 10percent past three decades, thus China may not compromise in its strategic and economic interests. It cannot be assessed that China wants to colonize countries through aid but for fulfilling its national interests China can use aid as a tool in future that will make significant difference in Nepal-China relations in future. So, the future prospect of aid regime of China can be seen as China becoming more dominant to fulfill its objective. As a matter of fact China is becoming more pragmatic and there is no any compromise that China is intended to do while marching towards global power. So, Nepal's aid mechanism may continue to grow but depends upon the attitude of Nepal towards One China policy and its initiatives like One Belt, One Road, Asian Infrastructure Investment Bank, and others and implementation pattern of Chinese aid by Nepal.

There are also certain factors Nepal needs to consider to utilize the available aid. For enhancing the aid effectiveness of aid institutions like Ministry of Finance and its coordination mechanism need to be strengthened. Further, the roles of embassies and permanent diplomatic missions residing in China need to be play active role. The idea of establishing FDI desks at our embassies seems important. At Individual level, the role of Ambassadors needs to be changed from mere diplomats to economic envoys.

Nepal still needs foreign aid immediately for reconstruction due to devastating earthquake of 2015, and to implement its recently introduced. Against these backgrounds, Chinese aid or any assistance can be utilized for restructuring and local level infrastructure development through connectivity to China. It is also must for newly restructured state apparatus of Nepal. For that Nepal needs to fix and prioritize her National interests for the economic transformation of the country then it would be better to formulate policies to accept foreign aid, either grant or loan which is equally applicable not only for China or India. However, if the aid provided is in the favor development partners there is slim chance of fulfilling Nepal's National interests.

Foreign aid alone cannot be an end in itself; it can be only a means to an end. So, foreign aid should be used in the creation of a climate of peace by securing development and stimulating productivity which will lead to an increased international intercourse through normal channels of trade and commerce. Therefore, aid from China too should be used as a means to achieve national priorities and in confirmation with National interests of making Nepal economically viable.

References

- Arndt, C., & Jones, S. ,(2015). *Assessing Foreign Aid's Long-Run Contribution*. Elsevier Limited.
- Bhatia, R., Deutekom, J., Lee, L., Kulkarni, K., & Nyoupane, B. ,(2016). Retrieved from <http://www.gatewayhouse.in/chinese-investments-in-nepal/>
- Chaturvedy, R. R., & Malone, D. M. ,(2012). *A Yam between Two Bodies*. In *Nepal in Transition From People's War to Fragile Peace*. New Delhi: Cambridge University
- Dabhade , M., & Pant, H. V. ,(2004). *Coping with Challenges to Sovereignty: Sino-Indian Rivalry and Nepal's Foreign Policy*. Contemporary South Asia.
- Government of Nepal (2015), *Development Cooperation report 2014-15*.Ministry of Finance, Kathmandu
- Government of Nepal (2011),*Development Cooperation Report Fiscal Year 2010-11*.Ministry of Finance, Kathmandu
- Government of Nepal (2012), *Development Cooperation Report Fiscal Year 2011-12*.Ministry of Finance, Kathmandu

- Government of Nepal (2014), *Development Cooperation Report Fiscal Year 2013-14*. Ministry of Finance, Kathmandu
- Government of Nepal (2013), *Development Cooperation Report Fiscal Year 2012-13*. Ministry of Finance, Kathmandu
- Helble, M., Mann, C. L., & Wilson, J. S. (2012). *Aid for Trade Facilitation*. pp. 357-376.
- Khadka, N. (1997). *Foreign Aid and Foreign Policy: Major Powers and Nepal*. New Delhi: Vikas Publishing House.
- Khadka, N. (1999). *Chinese Foreign Policy towards Nepal in Cold War Period: An Assessment*. China Report, 35(1), pp.62-65.
- Mathou, T. (2005). Tibet and Its Neighbors: Moving toward a New Chinese Strategy in the Himalayan Region. *Asian Survey*, 45(4), pp. 517-518.
- Pandey, N. N. (2006). Bhutanese and Tibetan Refugees in Nepal: Implications for Regional Security. *ISAS Insights*, 17, p. 2.
- Pyakurel, B., Adhikari, D., & Dhakal, D. P. (2008). *Is Foreign aid working an analysis of aid effectiveness and growth*. Kathmandu: Mandala Book Point.
- Shakya, S. (2012). Unleashing Nepal's Economic Potential: A Business Perspective. In S. V. Einsiedel, D. M. Malone, & S. Pradhan (Eds.), *Nepal in Transition From People's War to Fragile Peace*. New Delhi: Cambridge University Press.
- Thearrien, J.P., & Lloyd L, C. (2000). Development assistance on the brink. *Third World Quarterly*, pp 21- 38.
- Tripathi, A. (2016). Retrieved from <http://www.myrepublica.com>.
- Wolf, Charles Jr., Wang Xiao & Eric. (2013). *China's Foreign Aid and Government-Sponsored Investment Activities Scale, Content, Destinations, and Implications*. RAND Publications
- Yanbing, Z., & Ying, H. (2012). Foreign Aid: The Ideological Differences between China and the Wes. pp. 20-36.

Chapter 6

Nepal and the Great Power Rivalry between China and India

Drew Cottle, Paul Antonopoulos and Sunil Thapa

In the 18th century, Prithvi Narayan Shah, the Nepalese king who unified the kingdom, described Nepal as ‘a yam between two boulders’ emphasising the precarious location of the country between two greater powers (Ray 2011: 411). The yam of Nepal is a small country, (in area: 147, 181 sq kilometres), most of which is mountainous, except for the Terai plain in its southern tier. It is locked between China’s Tibetan region and the Himalayas to its north and India to its south, west and east along a 1,700 kilometre border. Apart from its geographical location affixed between the two rising economic powers of Asia, China and India, Nepal remains a poor, largely agricultural country dependent on its development and growth on outside aid, assistance, markets and investment, primarily from India, but increasingly in the present from China. The one key resource of Nepal is its Karnali, Gandak and Koshi river systems. Only after the first decade of the 21st century, have the outside giant powers of China and India in conjunction with a supplicant Nepal sought to harness the hydro power generated by these rivers for their own economic purposes. The yam has given up its water power to the two overarching boulders (de Liedekerke 2017).

For New Delhi and Beijing, Nepal’s current importance is its geo-political location. Historically, at least since the period of the British Raj, Nepal was, or became a buffer state between semi-colonial China and colonial India. Nevertheless, India since Independence in 1947, has maintained close and deep cultural, religious, economic and political relations with Nepal. The Nepali kingdom signed a Peace

and Friendship Agreement with India in 1950, and, even as Nepal changed from a monarchic state to a constitutional republic as a consequence of the decade long Maoist insurgency, it remained economically dependent upon India as its major trading partner and primary and premier investor (Ray 2011: 418). Nepal was seen as an unquestioned Indian zone of influence, until the present conjuncture.

From its founding in October 1949, the People's Republic of China (PRC) saw Nepal as a buffer zone safeguarding its Himalayan border (Norbu, 2001: 248). When Tibet became an Autonomous region of the PRC after its liberation from clerical feudalism in 1950, Nepal became a Chinese security question, as it allowed an escape route for Tibetan refugees across the Himalayas. Although thousands of Tibetans did find sanctuary in Nepal, their presence in Nepal never changed its status as a buffer zone for the PRC. In 1955, China assisted Nepal with the limited infrastructure projects and began construction on the one lane Kathmandu-Lhasa road. After the failure of its brief war with India over borders in the territories of Aksai Chin and Arunachal Pradesh (southern Tibet) in 1962, the PRC promised to protect Nepalese territory from any third country (Shah 2015: 103). Since 1962, this long China-India border across these disputed territories remains closed and militarised. The PRC continued to exhort Nepali independence from Indian domination, as part of its continuing anti-India propaganda, until Mao's death in 1976.

By the mid-1980s, China began highway construction in Nepal. It agreed to build a second trans-Himalayan highway linking Pokhara in Nepal with the Xinjiang-Tibet highway (Upadhya, 2012: 110). China ignored Indian sensitivities and openly competed with India for influence in Kathmandu. India was accused of expansionism in Nepal by Beijing. The Nepalese king, Mahendra readily accepted Chinese aid and assistance, to the growing annoyance of India (Singh 2009: 365). Despite this renewed Chinese interest in Nepal, trade between the PRC and Nepal until 1995, was 0.7 percent, whereas the India-Nepal trade accounted for the remaining 99.03 percent (Shankari 2010).

The massive increase in Chinese productivity in its accelerated and sustained industrial capitalist development from the early 1990s demanded access to new open markets and infrastructure for its commodity supply chains. From 1995, China encouraged the Nepalese kingdom to adopt an even-handed approach to Chinese and India

aid, assistance and investment (Kumar 2011: 81). Even as the inconclusive ten-year Maoist insurgency affected various regions of Nepal, Chinese financial assistance and technical cooperation for mutually beneficial projects continued. In 1995, China provided 80 million RMB for financial and technical assistance as it did in 2004 (Sharma 2017: 65). Only in 2000 did Chinese assistance drop to its lowest figure of 30 million RMB. During this period China funded numerous road and transport projects, especially highways and ring roads linking Kathmandu with different regions and to its border with China. These road and transport projects were essential to Nepalese agriculture which accounts for 45 percent of its Gross Domestic Product and employs seasonally nearly 75 percent of the labour force as of 2008 (The World Bank 2017). An accessible transport system will cut delivery time and costs for Nepal's agricultural produce and boost economic development and its growing trade with China and India.

In 2005, China, for the first time, supplied light arms to the beleaguered and the last king of Nepal, Gyanendra, in the war against the Maoists (Buckly 2006: 269). This token Chinese gesture was seen as an affront by India, Nepal's main armaments source, as well the United States and the United Kingdom, the kingdom's other major military suppliers. In 2008, China invited the new Nepalese defence minister, Ram Bahadur Thapa to observe a Chinese military exercise and later announced two separate military aid packages totalling USD3.9 million to Nepal. The completion of the Araniko 'Friendship Highway' linking Lhasa to Kathmandu in 2014 was a USD100 million joint China-Nepal co-operation project funded by China (Hopquin, 2013). Although only a modest all-weather sealed one lane road, it does link the Nepalese capital with Shanghai, 5000 kilometres in the East and the major Indian port city, Kolkata to the South. Despite the unstable, corrupt and incompetent governance in the Nepal Republic since the cessation of the Maoist insurgency, China has intensified its efforts to expand its influence in Nepal.

In September 2009, the former Maoist guerrilla leader, Nepal's Prime Minister, Prachanda, whose Maoist parliamentary party was dominant in the Constitutional Assembly spoke of the need to review the 1950 Indo-Nepal Friendship Treaty and consider a Peace and Friendship treaty submitted by China. Since that date, China has established over two dozen China Study Centres across Nepal which

provide training and teaching in Chinese culture and language free to Nepalese students. By 2008, China completed the 100-kilometre optic fibre cable Zhangmu-Kathmandu project which linked Nepal with China's new information superhighway (Lama 2013: 5). India had never considered such a project for Nepal. In 2010, in Kathmandu, the China-funded China-Nepal Boda Hospital, was completed. It was the largest private hospital in Nepal. Since 2013, Chinese State-Owned Enterprises (SOEs) have constructed the Melamchi Water Supply Project in Central Nepal which has alleviated Kathmandu's frequent water shortages (ADB 2013). Different Nepalese coalition governments have invited Chinese investors to compete with their Indian counterparts in the construction of major hydro-electric projects on two of Nepal's major rivers. Both India and China seek to exploit these sources of Nepalese hydro-power for their own national development.

By late 2015, India confounded by these Chinese initiatives in its Nepalese zone of influence reacted expeditiously to the contested new Nepalese constitution. The Madhesi people of the Terai plain who were largely Indian ethnically demanded regional and ethnic autonomy in the projected Nepalese federation. As this demand was rejected by the drafters of the constitution, a 6-month economic blockade was maintained by the Madhesi and supported by India. All fuel supplies from and trade with India was cut on the one highway linking Nepal with India. There was growing public anger in Nepal over the Madhesi-India action. China offered Nepal to supply Nepal with petroleum. India acted more quickly. The state-owned India Oil Corporation signed an agreement with the Nepal Oil Corporation to supply 1.3 million tonnes a year to Nepal and to extend the Amlekhunj-Raxaul oil pipeline to the India-Nepal border (Dhakal 2017).

In March 2017 the Chinese Defence Minister visited Nepal to discuss China's One Belt, One Strategy and Nepal's importance in it. A week later the Indian Army Chief of Staff arrived in Kathmandu to discuss joint military exercises between India and Nepal.

PRC-India struggle for hegemony over Nepal

The growing regional rivalry between China and India over Nepal has intensified. It has had tangible economic consequences for Nepal. Chinese and Indian economic assistance to and investments in Nepal are calibrated to realpolitik considerations. Nepal cannot maintain equidistant relations with these rising economic powers. Nepal's

economy is hostage to the dynamics of this Sino-Indian rivalry. Contemporary impoverished Nepal remains dependent on India for fuel, food, medicine, education, employment and economic opportunity. Nepal's recent and rapid economic relation with China has not reduced its dependency on India. Whether Nepal because of its strategic location between China and India, can become a dynamic bridge between these regional rivals and foster any India-China cooperation or tripartite understanding remains conjecture. In these speculative scenarios, Nepal would apparently benefit from cross border connectivity, trade, transit and investment. Even if this were possible Nepal would be constricted in pursuing any fundamental economic partnership with India or China as it would run the risk of disrupting any existing, fragile state-to-state equilibrium. Complicating the geo-strategic situation of Nepal is enormous trade imbalance between India and China. China is India's premier trading partner. India's trade deficit with China amounted to USD46.56 billion in 2016 and Indian exports continued to decline while bilateral trade between the regional giants slowed to 2.1 percent, to USD71 billion. The total bilateral India-China trade in 2016 was USD70.8 billion. India may remain Nepal's major investor, aid provider and market. China plans to build the One Belt, One Way across Eurasia linking China with Europe, Africa and Asia. Nepal's importance to Beijing may only be of importance in this global framework.

The One Belt, One Way initiative by China is also alternatively referred to as the New Silk Road and the 21st Century Maritime Silk Road when considering China's investment and leasing of ports throughout Southeast Asia and the Indian Ocean. Through this initiative, Nepal joined this extensive economic network in May 2017 at a function hosted at the Ministry of Foreign Affairs in Kathmandu when Nepali Foreign Secretary, Shanker Das Bairagi, and the Chinese Ambassador to Nepal, Yu Hong, signed a deal (Ying 2017).

Kathmandu, however, recognises the alarm this would bring to New Delhi, prompting Nepali Foreign Minister Prakash Sharan Mahat to state that "This [deal] is Nepal [joining] China's 'One Belt, One Road' initiative, possibly alarming India" (*South China Morning Post* 2017). However, Kathmandu would identify the necessity of such a deal that would increase the connectivity between China and Nepal by boosting roads, railways, trade and aviation. However, Nepal's Foreign Ministry spokesman, Bharat Raj Paudyal, also revealed that

the deal would “promote mutually beneficial cooperation between Nepal and China in various fields such as the economy, environment, technology and culture” (ibid.)

Despite the agitation that this deal may bring to New Delhi, a commentary piece for the *Global Times*, a nationalistic Chinese newspaper claimed that the deal is to the benefit between not only China and Nepal, but also India, by stating that:

“China has a clear-cut approach toward China-Nepal-India trilateral relations. It hopes Nepal can become a bridge between China and India. By pushing forward the China-Nepal-India economic corridor, it can boost development in all three countries. No matter how India views cooperation between China and Nepal, such cooperation will continue to expand, as it fits the interests of both peoples” (Zongyi 2017).

However, despite Nepal being sandwiched between the PRC and India, it is not strategically necessary nor does it have significant reserves of energy, and is not necessary for trade between India and China to occur as there is a substantial border between the two states, or it can be done through Myanmar. Rather, it can be speculated that Nepal joining the New Silk Road initiative puts further pressure on India to join the China-Nepal initiative. With Nepal’s signing of the deal, India now remains the only South Asian state to not join. The new deal signed between Nepal and China now isolates India economically and can bring pressure on New Delhi to join the Chinese initiative (Subedi 2017).

This would be of concern to New Delhi as it has always seen Nepal as a part of its small zone of influence. The Treaty of Peace and Friendship had ensured that Nepal would remain within India’s sphere of influence and was prompted by the mutual fear of the newly established communist state in China. Nepal feared that the Chinese state would support a communist revolution led by the Communist Party of Nepal to overthrow its monarchic regime. India also needed to reinforce and bolster its Himalayan frontier with the PRC, especially in the context of the unresolved border disputes (Richards 2015).

The Treaty allowed Nepali and Indian citizens to move across the border without visas or passports, and to live, work, own property and open businesses in either country without restrictions (Ministry

of External Affairs – Government of India 1950). The Treaty brought a virtual integration of both countries and ensured India's dominance and influence over Nepal that could then be seen as an Indian satellite state.

Relations however became less friendly between Nepal and India when the Nepali-dominated Kingdom of Sikkim was annexed by the Indian Union in 1975 with the abolition of the monarchy, prompting fears that Nepal could also be absorbed. Driven by this fear, the Nepalese kingdom pushed for a renegotiation of the treaty and proposed that it become a "Zone of Peace" where military competition would not be allowed by either India or China. This proposal was however rejected by India as it wanted to maintain its informal suzerainty over Nepal (Upadhya 2012: 105).

Despite the continuing Indian economic dominance of Nepal, it was only through the 2015 Nepal Blockade that closer relations between Kathmandu and Beijing accentuated. In what Kathmandu charged as an Indian-led blockade of the country, Nepal realised the necessity and urgency that it had to foster and rapidly develop its relations with the power to its north. The blockade began when the Madhesi, people of Indian ancestry living in the lowland region of Terai in southern Nepal, began protesting and blocking imports from India because they claimed their communal autonomy was not fairly represented in the new Nepalese constitution (Jain 2017: 83). This led to a significant humanitarian disaster as fuel, medicine and food from India did not flow into Nepal. The crisis that began on 23 September was especially crippling as overland trade with China following the April 2015 Nepal earthquake was still restricted because of the ongoing landslides in the border region. Kathmandu claimed India imposed the blockade against Nepal using the Madhesi to enforce it and pressure Nepal into having a constitution that was approved by New Delhi. The Indian government denied this claim, however a reporter for the Indian Express newspaper claimed that India had demanded changes to the new Nepali constitution, stating that "these amendments/changes were communicated by New Delhi to Kathmandu" (Raway 2015). In response, social media in Nepal exploded with the hashtag #BackOffIndia trending, leading to immense anti-India sentiment by street protestors in support of the Nepali government (Parashar 2015).

With the resulting humanitarian disaster, first triggered by the earthquake and then increased by the blockade, UNICEF reported that around 3 million children in Nepal alone were susceptible to disease and death (UNICEF 2015). This was because of the blockade of mostly fuel to the country, and saw around 2,000 factories close, private cars being restricted from refuelling, taxis stopped operating services and the Nepal Oil Corporation sued the Indian Oil Corporation on allegations that it was not allowing the majority of its trucks to enter Nepal (Pokharel 2015).

With India's failure to provide the landlocked country with fuel, this provided the opportunity for Beijing to make inroads in the Indian-dominated state. The Nepal Oil Corporation and PetroChina signed an agreement on 28 October to import at least a third of Nepal's fuel needs in which were the first fuel agreement between Nepal and China (Prasain and Khanal 2015). It also meant the beginning of Nepal ending its complete dependency on India and rapidly accelerating its economic relations with China. In a gesture of goodwill, China then went on to donate 1.3 million litres of fuel through its Kerung border crossing with Nepal (*The Kathmandu Post* 2015).

With Nepal crippled by the blockade, and the 1989 dispute between Kathmandu and New Delhi where India closed 19 of its 21 border crossings with Nepal because of the difficulties in signing a trade and transit treaty still fresh in the memory, Khadga Prasad Oli, the Prime Minister-designate of Nepal, questioned the necessity of the Treaty of Peace and Friendship with India. He stated: "There is no gas, no vegetable supplies, no fuel for vehicles, no fuel for airlines, and life is about frozen. We don't want this type of friendship" (*The Express Tribune* 2015).

India's calculation to make Nepal succumb to pressure in revising its new constitution by using the Madhesi minority only made Nepal move closer to India's principal regional rival, the PRC. With the wake of this economic and political failure, the senior leader of the Unified Madhesi Front, Rajendra Mahato, stated that "We failed to create pressure on the government by blocking border points; we only caused suffering to ordinary people" (*Nepali Times* 2016). Rather, the immense pressure placed on Kathmandu by the Madhesi was only relieved because of the new looming threat to India that Nepal would drift into China's sphere of influence.

Following the blockade, on 21 March 2016, 10 separate agreements and Memorandums of Understanding between Nepal and China was signed in the presence of Nepalese Prime Minister KP Sharma Oli and Chinese Premier Li Keqiang in Beijing. The ten agreements were:

- ♦ Nepal to use China's sea port facility
- ♦ Transit transport agreement to be reviewed every 10 years
- ♦ China to build a regional international airport in Pokhara
- ♦ China, Nepal exploring the possibilities of signing a bilateral free trade agreement
- ♦ China to explore the possibility of finding oil and gas reserves in Nepal
- ♦ China to provide economic and technical support to Nepal to implement the project on Pokhara airport
- ♦ China to distribute solar panels in Nepal's rural areas by tapping its Climate Fund
- ♦ China to build, manage and maintain Xiarwa Boundary River Bridge at Hilsa, Humla
- ♦ Nepal, China to strengthen intellectual property system in both the countries
- ♦ Nepal, China to extend cooperation and exchange information on banking regulations (Sharma 2016)

Nepal currently wholly relies on Kolkata, a thousand kilometres away in India's West Bengal State to export and import products. With the landlocked country having the opportunity to use Chinese sea port facilities, it reduces the necessity of relying on India. However, it poses significant logistical difficulties because China's coastline is around five thousand kilometres from Kathmandu. Although the agreement on transit transport was signed by Nepalese Deputy Prime Minister and Foreign Minister Kamal Thapa and Chinese Foreign Minister Wang Yi, the main concern is the convenience and cost effectiveness of importing and exporting from Chinese ports and would mean that Nepal would need to be integrated into the Chinese railway network (ibid 2016).

China currently has a railway service to Shigatse in southern Tibet, which is approximately 450 km from Gyirong and is directly on the Nepalese border. Services connecting Gyirong to Shigatse is projected to be completed by 2020, allowing China to expand its railway network into Nepal (Gang 2016). The expansion of the Chinese railway network will open the New Silk Road into Nepal, and further pressure India into losing its former dominance over the Himalayan country.

State-owned China Global Television Network (CGTN) quoted Chinese President Xi Jinping stating, at a March 2017 meeting between Nepali and Chinese delegations, that: "Our countries have maintained close coordination in various levels including politics and military. We strongly pursue connectivity, post-disaster reconstruction as well as advancing infrastructures and people to people exchanges. I am glad to see this progress. We should work together to create a new momentum of friendly cooperation" (Sangroula 2017). This suggests that China is prepared to continually develop Nepal and integrate the country into its New Silk Road initiative. Nepalese Prime Minister Pushpa Kamal Dahal at the same meeting expressed his country's desire in signing a memorandum to be a part of the New Silk Road.

One of the main tenets of the New Silk Road strategic initiative is to accelerate growth across Asia-Pacific, eastern Africa, Central Asia and in Eastern Europe by bridging the 'infrastructure gap'. M. Nicolas J. Firzli explained that many countries as a part of the New Silk Road "gladly expressed their interest to join this new [Chinese-led initiative] focusing solely on 'real assets' and infrastructure-driven economic growth" (Firzli 2015). This explains Kathmandu's enthusiasm for joining such an initiative so that the poverty-stricken country can be significantly developed by the Chinese.

Whereas India concentrated on maintaining the political elite of Nepal being Indophile and used the Madhesi people as leverage against the Nepalese government, China has expressed it has no interest in the internal politics of Nepal and would rather concentrate on economic initiatives. Govinda Acharya, the Nepalese prime minister's press adviser, revealed that President Xi said that the change in government in Nepal does not hamper bilateral relations (Sangroula 2017). Ignoring New Delhi's snub of Nepal when it was still reeling from the devastation of the 2015 earthquake followed by

the blockade, Beijing's pragmatic approach of wanting to develop Nepal rather than politically dominate it has meant Kathmandu's realignment on looking to the east, rather than towards India. This would not have been possible without what proved to be the political and economic failure of the blockade.

New Delhi has reacted to this snub by investing in Nepal to a limited extent. The Hindustan Times revealed that in the two-day Nepalese Investment Summit in March 2017 that Chinese firms pledged to invest USD8.3 billion in different sectors of the economy, which was far higher than the Indian commitment of USD317 million, which was also below the figures for Bangladesh, Sri Lanka, Japan and the United Kingdom (Giri 2017). The commitment by India saw its Foreign Direct Investment into Nepal rapidly drop by 76percent from the previous fiscal year.

The dominance of Chinese investment into Nepal and the significant drop by India demonstrates New Delhi's recognition that Kathmandu has realigned to the east and aims to pressure the country by not significantly investing in the country. Since India's independence in 1947, Nepal has solely been reliant on India for trade and development (Sill and Kirby 2009). This, however, has also meant that it has been susceptible to being dominated by its much more powerful neighbour. Despite the new look east policy by Kathmandu, India, and particularly the port of Kolkata, presently remain the most important lifeline and trading partner to Nepal. India recognises that Nepal is reliant on it. However, hostile actions by New Delhi towards Kathmandu also consolidate its resolve on wanting to forge closer economic relations with Beijing, despite the current lack of connectivity.

However, India can also antagonise China through its hosting of the Dalai Lama and around 120,000 Tibetans. Should China encroach too deeply into India's sphere of influence, Tibetans could be used as a bargaining chip, particularly as around 20,000 Tibetans are resident in Nepal, and the issue of China's abuse of human rights can again be levelled against Beijing. It remains to be seen whether New Delhi will utilise this option, especially when considering that trade between India and the PRC amounts to USD70.8 billion in 2016 (*The Economic Times* 2017). In this present conjuncture, it can only be surmised that Indo-China relations will continue to be based on both rivalry and

cooperation. Where they cooperate both on trade and climate change, they compete in India's traditional zone of influence in South Asia, not only in Nepal, but also in Bangladesh and Sri Lanka. However, as Nepal has shown, it can utilise this Great Power rivalry so that it can economically gain more than what they had previously. This is especially important when considering China's rise as an economic and military power and India's projected rise as also an economic and military power. Nepal is in a position that it could suffer from the increasing rivalry between the two states, or it can capitalise on their present prosperity that will see the benefit of cross-border connectivity, investment and trade.

However, Nepal's responses to, and its manoeuvring within, this regional rivalry between China and India may also prove to be increasingly difficult, especially when considering defence and security issues (Richards 2015). The PRC has made significant inroads into Nepal's Army, despite Indian officials expressing their interest to train and conduct military exercises alongside Nepal. Although China has not used its military to exert international influence like the United States and has rather focussed on economic ties with the developing world, with the PRC's sole permanent overseas military presence in the east African country of Djibouti, Chinese troops deployed in Nepal would be of concern, especially in the context of the Sino-Indo border skirmishes in the past. The border issues in the remote regions of eastern India and China demonstrate that both countries are prepared to go to war with each other and New Delhi would be suspiciously observing all military interactions between China and Nepal (*The Guardian* 2017).

From 16-25 April 2017, Nepal and China conducted their first joint military exercise named "Sagarmatha Friendship 2017" that focussed on counter terrorism and disaster response (*The Times of India* 2017). This is a significant shift in its relations, as in the past, Nepal has only conducted joint military training with India and the United States. However, this is an extension of the diplomacy of the new deepening relationship between Nepal and China and representing Nepal's shift away from being dominated by India's influence. The military exercises would have been a cause of concern for New Delhi seeing the presence of Chinese forces, albeit modest in number and engaged in non-military actions, in Nepal. A Global Times report explained that "For Nepal, the joint military exercise has a deeper significance.

For starters, it shows that Nepal moves forward in its pursuit of a balanced diplomacy among major powers” (Zongyi 2017). However, the report also revealed that Nepal succumbed to pressure from India to scale down its military exercise with China, stating that “The two countries initially planned to hold a battalion-scale military exercise. However, facing a strong opposition from India, Nepal had to compress the size of the military exercise and change the venue to a military school.” Preceding the April military exercise, China’s Defence Minister Chang Wanquan visited Kathmandu in March in preparation for the joint drills, a first trip by a Chinese defence minister in over 15 years.

With the increasing competition between India and China over Nepal, New Delhi wants to maintain the landlocked country within its sphere of influence while Beijing wants to advance its nexus across South Asia (Sheikh 2017). It can be suggested when considering China’s significant investments in not only Nepal, but also Sri Lanka, Bangladesh and Pakistan that Beijing is engaged in a policy of encircling India, especially as New Delhi is resistant in joining China’s New Silk Road initiative. Since its independence, India has mostly enjoyed virtually exclusive influence over Nepal. This dominance over Nepal is increasingly being challenged as Kathmandu seeks an independent foreign policy and insists on changing some provisions from the 1950 Peace and Friendship Treaty. This includes the provision that Nepal must inform India or receive consent when it purchases military equipment that must be imported into the port of Kolkata.

This insistence would challenge India’s resolve over Nepal as India is still the largest supplier of military equipment to Nepal. This represents Nepal wanting to make its own decisions on security issues with limited external input or influence. However, because of the Peace and Friendship Treaty, Nepal is limited in having complete independence in pursuing its own security issue policies. It is for this reason that successive governments in Nepal have pushed for a review of the treaty without specifying exactly what they want changed. It can be speculated that Nepal wants a review or even a revision of the treaty to lessen the country’s reliance and dependency on India and to pursue a policy of equidistance with both India and China. Because of India’s unwillingness to negotiate the treaty, it breeds

further discontent towards New Delhi from Nepal, and brings the country closer into the nexus of Chinese influence.

An Indian capitulation on reviewing the treaty could signal India's strategic vulnerability as it could allow for a further Chinese penetration into Nepal. The very justification for the necessity of the treaty was to protect Nepal and India's northern frontier from a Chinese threat. However, it has meant that India has been able to apply leverage through economic means because of its open border policy. This was seen when the 2015 blockade occurred and caused a humanitarian crisis to emerge in Nepal, as a result. It has also meant a large number of poor Nepalese working in India and sending remittances home, often as the only means of income for a family. Coupled with Nepal's reliance on India for port access, India has always been able to exert a powerful influence on, or complete domination, of the country. Whereas India has always justified its dominance in the relationship with Nepal for security concerns, Nepal's new-found confidence has been to pursue greater independence and sovereignty. This breakdown on mutual understanding between Nepal and India becomes increasingly divisive as both states now have differing views on security interests and issues, and in their outlook of China's penetration into South Asia.

Despite the Nepal-China military exercises conducted in April 2017, they are or remain relative minor compared to the ongoing military relationship between Nepal and India who conduct annual drills together. But it does signal New Delhi may be losing its unchallenged grip over Nepal. Anurdaha Rai, a senior researcher at Jawaharlal Nehru University wrote in the *Eurasia Review*:

"China is looking much beyond its trade relations and it is eyeing Nepal as a centre to promote its ambitions in the South Asian region... The situation is getting worrisome for India because from mere words in the past, Nepal has now started to develop its economic and political ties with China. In the recent past, China has also showed similar eagerness to provide an alternative to India for Nepal by providing new trade routes and developing its strategic ties. The recent development to have joint military exercises is one such measure." (Sunil 2017)

However, New Delhi-based strategic analyst Jayadeva Ranade had greater concerns of the Chinese penetration into Nepal and told *Voice of America* that “Any increased Chinese presence in Nepal brings China right up to [India’s] border, which is very porous. We [India] look at Nepal as part of our strategic space, so there is a bit of a contest taking place” (Pasricha 2017). Although it is unlikely China and India will engage in conflict, the threat remains looming and perceived to be real by strategists in New Delhi. In the 21st century, China is steering its rise through economic development and domination. This is a different strategy to that which saw American imperialism rise to global dominance in the 20th century because of its overwhelming military capacity. Rather, the developing world has been far more willing to engage with China because of its pragmatic economic development approach, without necessarily wanting to militarily or politically dominate a state. The possible Indian fear of a military showdown with China is perceived, but is not real, in the present. When understood in this context, it also renders the 1950 Peace and Friendship Treaty between India and Nepal redundant. However, what it does offer is a legal justification for India to continually dominate Nepal, in which China is now challenging.

Conclusion

In the second decade of the 21st century, Nepal remains a poor land-locked country with limited economic development. With the rise of the economic powerhouses of China and India from the 1990s, Nepal, because of its strategic location between these two regional powers, has become the site of their growing rivalry. While Nepal has been seen by New Delhi as an avenue of Indian influence, trade and investment, China since the end of the Maoist insurgency and the establishment of a republican government in Kathmandu, has provided aid and assistance to Nepal in the building of roads and hydro-electric infrastructure. Nepal faces the dilemma of balancing and benefitting from the increasing rivalry between China and India within its borders.

References

ADB (2013), *Nepal: Melamchi Water Supply Project*, Philippines: Asian development Bank (ADB) [online], available at: <https://www.adb.org/projects/31624-023/main#project-pds>, [accessed 20 December 2017].

- Buckley, M. 2006. *Tibet*. Guildford: Bradt.
- Dhakal, S. K. (2017), *Terai-Madhesh movement in Nepal*, USA: United States Army War College
- Firzli, M. N. 2015. China's AIB, America's Pivot to Asia & the Geopolitics of Infrastructure Investments, *Analyse Financière*, [online] October. Available at: http://www.academia.edu/19535167/China_s_AIB_America_s_Pivot_to_Asia_and_the_Geopolitics_of_Infrastructure_Investments [accessed 23 June 2017].
- Gang, D. (2016), *Tibet can be gateway to Indian trade*, Global Times [online] 12 October, Available at: <http://www.globaltimes.cn/content/1010977.shtml> [accessed 21 December 2017]
- Giri, A. 2017. Chinese firms to invest \$8.3 billion in Nepal, *Hindustan Times*, [online] 4 March. Available at: <http://www.hindustantimes.com/world-news/chinese-firms-to-invest-8-3-billion-in-nepal/story-gKW9cDBsW1jhlOoBVDtcFM.html> [accessed 24 June 2017].
- Hopquin, B. 2013. China's Nepalese friendship road leads to the heart of India's market, *The Guardian*, [online] 23 April. Available at: <https://www.theguardian.com/world/2013/apr/23/nepal-china-tibet-india-araniko-highway> [accessed 25 June 2017].
- Jain, B.M. 2017. *China's Soft Power Diplomacy in South Asia: Myth or Reality?*. London: Lexington Books.
- Kathmandu Post (2015), *China to donate 1.4 litres of fuel to Nepal: DPM Thapa*, The Kathmandu Post [online] 29 December 2015, Available at: <http://kathmandupost.ekantipur.com/news/2015-12-29/china-to-donate-14-m-litres-of-fuel-dpm-thapa.html> [accessed 21 December 2017]
- Kulkarni, S. 2010. In-Chin Closer, *The Indian Express*, [online] 12 December. Available at: <http://indianexpress.com/article/opinion/columns/inchin-closer/> [accessed 26 June 2017].
- Kumar, S. 2011. China's Expanding Footprint in Nepal: Threats to India, *Journal of Defence Studies*, 5 (2): 77-89.
- Lama, J. Y. 2013. China and its Peripheries China and its Peripheries Securing Nepal in South Asia. *Institute of Peace and Conflict Studies*. (232): 1-8.
- Ministry of Foreign Affairs – Government of India. 1950. Treaty of Friendship and Peace, 31 July. Available at: <http://mea.gov.in/bilateral-documents.htm?dtl/6295/Treaty+of+Peace+and+Friendship> [accessed 24 June 2017].
- Nepali Times. 2016. Front Regrets Failed Blockade, [online] 4 February. Available at: <http://www.nepalitimes.com/blogs/thebrief/2016/02/04/front-regrets-failed-blockade/> [accessed 23 June 2017].
- Norbu, D. 2001. *China's Tibet Policy*. Surrey: Curzon.
- Parashar, U. 2015. #BackOffIndia! Nepal protesters slam 'interference' over statute, *Hindustan Times*, [online] 23 September. Available at: <http://www.hindustantimes.com/world/backoffindia-nepal-protesters-slam->

- interference-over-statute/story-hIFyfqrPRRq3KYnGkkJLP.html [accessed 21 June 2017].
- Pasricha, A. 2017. Nepal and China to Hold First Ever Military Drill, *Voice of America*, [online] 2 January. Available at: <https://www.voanews.com/a/nepal-and-china-to-hold-first-ever-military-drill/3659546.html> [accessed 25 June 2017].
- Pokharel, S. 2015. Nepal accuses India of 'trade blockade' amid fuel crisis, *CNN*, [online] 3 October. Available at: <http://edition.cnn.com/2015/09/29/asia/nepal-india-fuel-crisis/> [accessed 24 June 2017].
- Prasain, S. and Khanal, R. 2015. Nepal inks historic oil agreement with China, *The Kathmandu Post*, [online] 29 October. Available at: <http://kathmandupost.ekantipur.com/news/2015-10-29/nepal-inks-historic-oil-agreement-with-china.html> [accessed 24 June 2016].
- Rawat, M. 2015. Nepal's Constitution and Lessons for India, *The Diplomat*, [online] 7 October. Available at: <http://thediplomat.com/2015/10/nepals-constitution-and-lessons-for-india/> [accessed 22 June 2017].
- Ray, J. K. 2011. *India's Foreign Relations, 1947-2007*. New Delhi: Routledge.
- Richards, K. (2015), *China-India: An analysis of the Himalayan territorial dispute*, Australia: Centre for Defence and Strategic Studies (CDSS).
- Sangroula, S. 2017. China ready to build Nepal-China rail link: Xi, *My Republica*, [online] 28 March. Available at: <http://www.myrepublica.com/news/17207/> [accessed 21 June 2017].
- Shah, S. K. 2015. *India and China: The Battle Between Soft and Hard Power*. New Delhi: Vj.
- Shankari, S. 2010. The Dragon's Teeth, *The Asian Age*, December 15.
- Sharma, R. 2016. Nepal, China pen transit trade treaty, nine other pacts, *The Himalayan Times*, [online] 22 March. Available at: <https://thehimalayantimes.com/business/nepal-china-pen-transit-trade-treaty-nine-pacts/> [accessed 24 June 2017].
- Sharma, S. 2017. "Trickel to torrent to irrelevance? Six decades of foreign aid in Nepal" In *Aid, Technology and Development: The Lessons from Nepal*, edited by Dipak Gyawali, Michael Thompson, Marco Verweij, 54-74. New York: Routledge.
- Sheikh, S. R. (2017), *The great Himalayan game: Geo-strategic rivalry between India and China in Nepal*, *International journal of socio-legal analysis and rural development*, Vol. 3, Issue# III, November 2017
- Sill, M. & Kirby, J. (2009), *The atlas of Nepal in the modern world*, New York: Earthscan
- Singh, R. K. 2009. *Global Dimensions of Indo-Nepal Political Relations: Post Independence*. New Delhi: Gyan.
- South China Morning Post. 2017. Nepal joins China's 'One Belt, One Road' initiative, possibly alarming India, [online] 12 May. Available at: <http://>

- www.scmp.com/news/asia/diplomacy/article/2094091/nepal-joins-chinas-one-belt-one-road-initiative-possibly [accessed 24 June 2017].
- Subedi, R. R. (2017), *Belt & Roads enable Nepal to act for equilibrium between China and India*, [online] 18 May 2017, Available at: http://www.china.org.cn/opinion/2017-05/18/content_40840916.htm [accessed 21 December 2017]
- Sunil, W.A. 2017. Nepal-China military exercises: Another sign of rising geopolitical rivalry, [online] 18 January. Available at: <https://www.wsws.org/en/articles/2017/01/18/nepa-j18.html> [accessed 25 June 2016].
- The Economic Times. 2017. India's trade deficit with China climbs to \$46.56 billion, [online] 13 January. Available at: http://economictimes.indiatimes.com/articleshow/56522187.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst [accessed 25 June 2017].
- The Express Tribune. 2015. Nepali leader says India 'breaking international law', [online] 30 September. Available at: <https://tribune.com.pk/story/965036/nepali-leader-says-india-breaking-international-law/> [accessed 22 June 2017].
- The Guardian (2017), *Chinese and Indian troops face off in Bhutan border dispute*, The Guardian [online] 6 July, Available at: <https://www.theguardian.com/world/2017/jul/06/china-india-bhutan-standoff-disputed-territory> [accessed 22 December 2017].
- The Times of India. 2017. Nepal, China hold first-ever joint military exercise, [online] 16 April. Available at: <http://timesofindia.indiatimes.com/world/south-asia/nepal-china-hold-first-ever-joint-military-exercise/articleshow/58207943.cms> [accessed 25 June 2017].
- The World Bank. 2017. Employment in agriculture (% of total employment). Available at: <http://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=NP> [accessed 26 June 2017].
- UNICEF. 2015. Nepal: Serious shortage of essential supplies threatens millions of children this winter - UNICEF, [online] 30 November. Available at: https://www.unicef.org/media/media_86394.html [accessed 20 June 2017].
- Upadhyaya, S. 2012. *Nepal and the Geo-Strategic Rivalry Between China and India*. New York: Routledge.
- Ying. 2017. Nepal, China sign bilateral cooperation agreement under Belt and Road Initiative, *Xinhua*, [online] 12 May. Available at: http://news.xinhuanet.com/english/2017-05/12/c_136276949.htm [accessed on 24 June 2017].
- Zongyi, L. 2017. Indian worry over China-Nepal drill outdated, *The Global Times*, [online] 20 April. Available at: <http://www.globaltimes.cn/content/1043393.shtml> [accessed 24 June 2017].

Chapter 7

Assessing Nepal-Britain Relations from the Prism of Predominant IR Theories

Gaurav Bhattarai

This paper assesses Nepal- Britain relations from the perspectives of predominant International Relations (IR) theories. The paper beings by divulging into the origin of the bilateral and diplomatic relations between the Great Power – Britain – and Nepal, which is often identified as a small state owing to its immense neighborhood. Also, the write-up accommodates the role that Gurkhas have played to promote the bilateral relations between the two countries. Concurrently, the paper draws the contemporary examples of the acquittal case of Nepal Army Colonel Kumar Lama, and that of the 2015 India-UK joint communiqué, which made a reference to Nepal’s constitution drafting process, as the challenges to the long-standing bilateral relations. The trade relations between the two countries have been discussed along with the British investment and tourism while assessing the bilateral relations from the prism of Liberalism. Contribution of Gurkhas finds the place in Constructivist analysis of the bilateral relations. The article concludes by stating that Nepal’s historical relationship with the UK is being influenced by Nepal’s neighborhood.

Introduction

In March 2015, Britain and Nepal governments commemorated 200 years of togetherness. The Treaty of Sugauli established the formal relations between the UK and Nepal in December 1815. The treaty was ratified in March 1816, and superseded in 1923 by the treaty of “Perpetual Peace and Friendship.” Ever since the establishment of the

diplomatic relations, friendship, harmony, mutual understanding, cooperation and respect for each other's national interests have characterized the bond between the two countries. But, at the same time, the treaty not only played a role in establishing the Rana client state in Nepal for the British, but also eased the flight of muscular young men from Nepal to fight the British Empire's wars around the world. Also, the 1923 Treaty granted Nepal the recognition of an independent country (Thapa 2016). The United Kingdom is not only the first country in the world with which Nepal had established its diplomatic relations but also the first country to establish its Embassy in Kathmandu. Correspondingly, Nepal had established its first diplomatic mission (Legation) in London in 1934. Precisely, it was the first Nepalese diplomatic mission established at the foreign country. In 1947, it was elevated to the Ambassador level. Today, the UK is one of the top development partners of Nepal with the annual British aid and development assistance on an increasing trend. At present, the promising facets of the bilateral relations have been tourism, trade, education, and the British Gurkha connection (IFA 2014). Besides, Nepal continues to be the source of recruitment of Gurkha soldiers into the British army, not only as a part of tradition which dates back to the nineteenth century but still an essential part of Britain's modern army. Being one of Great Britain's allies during First World War and Second World War, Nepalese soldiers in hundreds of thousands fought and sacrificed their lives in many battlefields of the world (Subedi 2012). It has definitely left a heritage of deep and sincere friendship in the history of two countries. Undoubtedly, Gurkha soldiers have been the most visible bridge between Nepal and the United Kingdom. The Gurkhas' service, sacrifice and bravery in the British army which started on 24 April 1815, is still continuing till the date spanning over more than two hundred years.

Realism

The three core elements that we identify with realism—statism, survival, and self-help—are present in the work of a classical realist such as Thucydides and structural realist such as Kenneth Waltz. Statism is a term given to the idea of the state as the legitimate representative of the collective will of the people. Yet outside the boundary of the state, realists argue that a condition of anarchy exists, in which each of the independent sovereign states considers itself to be its own highest authority and doesn't recognize a higher power. Under anarchy, the survival of state cannot be guaranteed. States with more power stand

a better chance of surviving than states with less power. Self-help is the principle of action in an anarchical system where there is no global government. According to realism, each state actor is responsible for ensuring its own well-being and survival. If the survival of a state or a number of weaker states is threatened by a hegemonic state or coalition of stronger states they should join forces, establish a formal alliance and seek to preserve their own independence by checking the power of the opposing side (Baylis et al. 2011). In Nepal-Britain relations, realism can be applied to assess how Nepal was drawn to the vortex of the international conflict during the world wars, along with the issues of Anglo-Nepalese War, Sugauli Treaty, role of Nepalese Gurkha soldiers in World Wars, Quashing Sepoy Mutiny of 1857 among others.

With the end of Anglo-Nepalese war (1814-16) and after the signing of The Treaty of Sugauli, the relationship between Nepal and Britain was frosty. Only after the reign of Jung Bahadur Rana, the bilateral relations warmed up. The enlistment of Gurkhas from the hills of Nepal to the British Raj didn't start right away. It took root under Maharaja Jung Bahadur Rana who took the relationship to a new height by heading south innumerable times with his troops whenever the British required and demanded (Gurung 2017). The 1857 mutiny, also called First War of Independence in India, was the strongest of heretofore movements against the British Raj and had posed a real threat to British rule. It was then that Jung Bahadur Rana offered to assist the British with about 16,000 Nepali soldiers to quash the mutiny (Basnyat 2017). Just before the start of the World War I in 1914, there were around 26,000 men serving in 10 regular rifle regiments that formed the Gurkha Brigade. As the World War started, more than twice that number had been recruited from Nepal. Many people came down from hilly regions to join in both combatant and non-combatant roles. During the course of the war, the numbers exceeded 200,000, out of a total population of about 5 million in Nepal (Gurung 2017).

Nepal was drawn to the vortex of this international conflict because of her special relationship with the British Government (Upreti 1984). When the First World War broke out, Nepal's population was only 5.6 million, and about 200,000 young men were fighting and dying in some far-off land for a cause not their own. In the First World War, over 20,000 Nepali soldiers in the British Indian Army were killed in Flanders Field in Belgium, in Gallipoli, and in the deserts of Mesopotamia. Since many of them were from the ethnic communities in the remote

mountains of Nepal, one in every 10 young Nepali men recruited didn't make it back home (*Nepali Times* 2014). Again during the Second World War, 30,000 Nepali soldiers in British Army died in North Africa, Burma, Italy, and Malaya. About 250,000 Nepali soldiers had gone down to Calcutta to join troopships sailing off to Europe and South-east Asia. Many of them were believed to be the sons of soldiers who had been killed in World War I (Subedi 2012). Interestingly, Nepal's soldiers first fought Maoist guerrillas not in their own backyard from 1996-2006, but in the jungles of British Malaya in the early 1960s. Furthermore, as an example of history coming a full circle, Gurkhas have returned to Afghanistan more than a century later as a part of the British NATO forces in Helmand today (*Nepali Times* 2014).

The Anglo-Nepal War of 1814 itself had broken out after all the peaceful and diplomatic means to resolve the conflict between Nepal and British East India Company failed. In the war that lasted for almost two years, Nepal suffered a heavy loss but managed to safeguard its independent status. Bhimsen Thapa took initiatives to draw support of neighboring states against the British. Nepal even wrote to the Chinese emperor asking for support during the war against the British. China, however, rejected Nepal's request for assistance and refused to get involved in the Anglo-Nepal war. Nepal also asked help from some Indian states including Maratha and Sikh kings in the war against the British, but all in vain. Finally, Nepal had to fight against the British imperialist force alone. The fundamental objective of Thapa's foreign policy was to secure Nepal from the 'clutches of the British imperialism.' The East India Company had been preparing for the war as the Governor General Wellesley of the East India Company had earlier written a letter to Nepal renouncing the 1792 and 1803 treaties, which was a clear indication that the British were going to declare a war (Lamsal 2014). The East India Company declared a war against Nepal on 2 November 1814 and Nepal basically fought defensive war soldiers by showing the high degree of valor against the sophisticated British army (Lamsal 2014). General Ochterlony had been impressed by their fighting skills during the conflict and was keen to augment the British Indian army with a strong Gurkha presence. To this day there is still a prestigious Gurkha unit serving with the British army. Sir Charles Matcalfeulogized the bravery of Nepalese soldiers during the Kangara war by stating that: "*We have met with an enemy who shows decidedly greater bravery and greater steadiness than our troops possesses; and it*

is impossible to say what may be the end of such reverse of the order of things. In some instances, our troops, European and Native, have been repulsed by inferior number with sticks and stones. In others, our troops have been charged by the enemy with swords in hand and driven for miles like a flock of sheep. In a late instance of the complete rout, we lost more muskets by a greater number than there were killed, wounded and missing” (Singh 1996). Despite superiority in numbers, the British suffered severe losses at the hands of the Gurkha forces, with one of the British army commanders, General Gillespie, killed in battle in the first few days of the conflict. Kulbir Thapa and Karan Bahadur Rana became the first Nepali to receive the UK’s highest military decoration, the Victoria Cross, for gallantry ‘in the face of the enemy’ (Pandey 2014). The stoicism of wounded Gurkhas impressed all who witnessed their sufferings. Often enough their first question on reaching the field dressing station was, ‘How soon can I get back?’ (Farwell 1984). The Tri-Chandra Military Hospital in the capital was apparently made to honor these brave sons who gave up their lives to increase, in the words of Chandra Shumsher, “the glory of their motherland and to ameliorate the pain of their (wounded) colleague-soldiers” (Onta 1994).

The Treaty of Sugauli was proposed in December 1815 and finally ratified in March 1816, officially drawing the hostilities to a close. Under the terms of the treaty, the Gurkhas were forced to cede about one-third of Nepali territory to the British, and an official British representative would have the right to remain in the capital Kathmandu. In addition to this, the treaty gave license for the formation of a regiment in the British Army consisting of soldiers selected from Gurkha forces (Lamsal 2014). Nepal sent Gajraj Mishra and Chandra Shekhar Upadhyaya as the representatives to negotiate with the East India Company for a peace treaty. However, British agent Lt. Col. P. Bradshaw demanded that Nepal should pay compensation for the expenses of the war if the peace treaty was to be signed. Sensing Nepal’s unwillingness, the British later modified their proposal following which a peace treaty was signed. Nepal, finally, ratified the Sugauli Treaty on 4 March 1816, which ended the war but limited Nepal’s independent foreign policy handling. With the treaty, Nepal’s expansionist foreign policy came to an end and Nepal became, as once observed by Prithvi Narayan Shah, truly ‘a yam between the two boulders.. While the 1792 treaty with Tibet-China had limited Nepal’s scope to enlarge its influence in the north, the Sugauli Treaty of 1816 with British India put

Nepal's adventure of territorial expansion to a complete halt. Since then, Nepal's foreign policy and diplomacy became totally British-centric, which lasted until the political change in Nepal in 1951 that ushered in a democratic era (Lamsal 2014). In the past 50 years, Nepalese Gurkhas have served in Hong Kong, Malaysia, Borneo, Cyprus, the Falklands, Kosovo, Iraq and Afghanistan. They serve in a variety of roles, mainly in the infantry but with significant numbers of engineers, logisticians and signals specialists. Following the partition of India in 1947, an agreement between Nepal, India and Britain meant four Gurkha regiments from the Indian army were transferred to the British Army, eventually becoming the Gurkha Brigade (BBC 2013).

Besides the discussion on role of Gurkhas in Nepal-Britain relations, the issue of Kumar Lama, a colonel in the Royal Nepalese Army (RNA) is worth mentioning while attempting to analyze Nepal-Britain relations from the prism of Realism. He was arrested in the year 2013 in United Kingdom under universal jurisdiction on a charge of torture. He was charged with intentionally "inflicting severe pain or suffering" as a public official on two separate individuals (BBC 2013) when he was arrested he was employed as a UN peace keeper in Sudan. Detectives with specialist experience of war crimes arrested the officer under Section 134 of the Criminal Justice Act, a law that defines torture as a "universal jurisdiction" crime. This means that suspects can face trial before a British court even if their alleged offences had nothing to do with the UK. He is accused of committing crimes during Nepal's civil war, in which more than 16,000 people died. The decade-long war, which ended in 2006, generated allegations of human rights atrocities against both the army and Maoist rebels. Nepal government protested by saying that Britain breached its sovereignty by carrying out the arrest. The then foreign minister of Nepal, Narayan Kaji Shrestha said "The arrest of Lama, who has been serving in the United Nations mission in Sudan, without informing the concerned government and without any evidence, is against the general principle of international law and jurisdiction of a sovereign country" (BBC 2013). Colonel Kumar Lama was acquitted by the British court more than three years after he was arrested under universal jurisdiction on a charge of torture. He was the first person to be tried outside Nepal for alleged human rights violation and war crimes in Nepal under the universal jurisdiction. On 6 September 2016, the Central Criminal Court in Old Bailey, gave him clean chit and closed the case against him, citing lack

of evidences against him (*The Himalayan Times* 2016). Now, owing to the aforementioned discussion, it can be easily discerned that while Gorkhas has helped to strengthen the bilateral relations between Nepal and the UK unlike the issue of Colonel Lama's case which normally takes the bilateral relations to the lowest ebb.

Liberalism

Although Realism is regarded as the dominant theory of international relations, Liberalism has a strong claim to being a historic alternative. In the twentieth century, liberal thinking influenced policy-making elites and public opinion in a number of western states after the First World War, an era often referred to in academic international relations as Idealism. In the 1990s, liberalism appeared resurgent as western state leaders proclaimed a new world order and intellectuals provided theoretical justifications for the inherent supremacy of their liberal ideas over all other competing ideologies. Cobden's belief that free trade would create a more peaceful world order is a core idea of nineteenth-century liberalism. Trade brings mutual gains to all the players, irrespective of their size or the nature of their economies. Economic interdependence and reciprocity have always been the hallmarks of Liberalism (Baylis 2011). Studying the papers squirrelled away by Newar merchants in the erstwhile trading town of Bandipur, American anthropologist Stephen Mikesell has written about how the forces of mercantile capitalism represented by the East India Company had penetrated the hills of Nepal even by the early years of the 19th century (Thapa 2016). Undoubtedly, the monetization of the Nepali economy would not have been possible without all those Gurkha soldiers bringing back hard currency to Nepal (Subedi 2012). Talking the early economic impacts of recruitment of the Gurkhas into British service, the 200,000 Gurkhas who fought in World War I brought back an average of 500 Indian rupees. This totalled around 130 million rupees nationally, which would translate to around 13 billion rupees in 1982 (Pandey 1985). For a country that could only sometimes raise an annual revenue of around 10 million rupees or so, that represented a huge influx of capital into the Nepali hinterland – of the kind never before seen. It was not only money that entered Nepal with the lahures, but mannerisms, all kinds of goods, styles of eating and dressing, and ways of thinking, all of which represented the entry of influences from across the seas into Nepal for the first time. Village damsels learnt how to smoke, strike a match and kiss in the western style, writes

Pandey (Thapa 2016). Instead of finding ways to make productive use of the money brought by the lahures by diverting it towards the little indigenous income-generating industry that existed such as cash cropping, animal husbandry, or a few cottage industries, seemingly to increase customs revenue the Rana regime granted permission to merchants to set up shop in the main border points and allowing the never-ending influx of consumer items into the country including Japanese tennis shoes, gowns, blankets, saris, bangles, cigarettes, beads, coconut, betel, matches, utensils, garam masala, etc. (Pandey 1985). The entry of these readymade goods led to the demise of the small home-grown industry Nepal had at the time, and that was the most damaging impact of World War I on Nepal. The community in Nepal became increasingly mediated by the bazaar and merchants representing foreign industrial capitalist interests in the form of industrial commodities and mercantile profits. The integration of Nepal into the global market is thus of long provenance and playing the most pivotal role was the lowly Gurkha (Thapa 2016).

Development cooperation partnership between Nepal and the United Kingdom exhibits the liberal aspects of the friendly relations between two countries. The UK aid to Nepal in various fields of activities started in 1961. The British aid to Nepal is channelled through Department for International Development (DFID) whose presence in Nepal has greatly assisted in working with Government of Nepal in the development of understanding and establishment of networks that will promote opportunities for change. The UK has assisted Nepal in the areas of livelihoods, e.g. agriculture, forestry, transport and communications, local development; basic services, e.g. education, health, water supply and sanitation; good governance, human rights and peace-building efforts. The DFID Nepal's operational Plan is divided into four main areas: governance and security, inclusive wealth creation, human development (basic services including education and health), and climate change/disaster management. As per Development Cooperation Report 2014-2015 by Ministry of Finance, UK remained the top ODA provider (based on disbursement) with a total assistance of USD 168.07 million in the Fiscal Year 2014/2015. The UK disbursed following amounts in different year (Government of Nepal 2017).

Five Largest Disbursing Projects of the United Kingdom, FY 2016-17

<i>Project Name</i>	<i>Sector</i>	<i>Total Commitment (USD)</i>	<i>Disbursed in FY 2016-17 (USD)</i>
Post-Earthquake Reconstruction Program in Nepal - Building Back Better	Earthquake Reconstruction	93,853,973	21,675,534
Local Governance and Community Development Program, Phase II (LGCDP II)	Local Development	80,901,263	20,659,473
Nepal Health Sector Program, Phase III	Health	110,016,239	14,148,254
Integrated Program for Strengthening Security and Justice (IP-SSJ)	Home Affairs, Women, Children & Social Welfare	79,267,278	13,932,073
Rural Access Program, Phase III	Local Development		12,020,899

Source: Ministry of Finance, Government of Nepal

The United Kingdom continued as one of Nepal's largest-disbursing partners in FY 2016-17, disbursing USD 128.31 million (about 9.2 percent of the total disbursement). Over the past seven years, the UK has disbursed close to, or above, USD 100 million every year. The total disbursement made by the United Kingdom during the above seven year's period reached to USD 803.84 million (Government of Nepal 2017). The disbursement by the UK in FY 2016-17 increased by an increment of about 43 percent over the previous year's disbursement of USD 89.47 million in FY 2015-16. United Kingdom stands second in the list of top Five Bilateral DPs by Disbursement for FY 2016-17. USAID stands at the top with (USD 134.06 million) the United Kingdom at second position with (USD 128.31 million), Japan at third with (USD 77.65 million), India at fourth with (USD 59.26 million) and China at fifth with (USD 41.24 million). Together they contributed 32 percent of the total disbursement. In the previous year, FY 2015-16, the same DPs occupied the top three places, but with Switzerland in the fourth place, and India in the fifth place (Government of Nepal 2017).

<i>Bilateral Donors</i>	<i>Disbursement (in USD), and as a % of total disbursement</i>
USAID	134,056,598 (9.6%)
United Kingdom	128,313,164 (9.2%)
Japan	77,652,833 (5.6%)
India	59,259,429 (4.2%)
China	41,244,254 (3.0%)

Source: Ministry of Finance, Government of Nepal

Talking about the trade between Nepal and the UK, they reached to a trade agreement in 1965 and the trade is in favor to the UK. Nepal faced a trade deficit of 142,182,856 Rupees in the first eight month of 2016. The total export to UK stands at 1,256,018,669 Rupees while the total import stands at 1,398,201,525. The following figures reflect Nepal's exports to and imports from UK:

<i>Year</i>	<i>Exports</i>	<i>Imports</i>	<i>Balance</i>
2009	1,471,332,867	10,962,627,877	-9,491,295,010
2010	1,292,168,947	2,603,242,134	-1,311,073,187
2011	1,477,383,007	2,192,260,006	-714,876,999
2012	1,318,011,391	1,786,677,499	-468,666,108
2013	2,058,040,697	2,687,625,794	-629,585,097
2014	2,280,733,483	3,000,563,645	-719,830,162
2015	2,636,773,424	1,690,054,122	946,719,302
2016 (first eight months)	1,256,018,669	1,398,201,525	-142,182,856

Motor car, vehicle, Parts of aero plane and helicopter, Whiskies, Malt not roasted, Sweets biscuits, Chocolate in blocks, slab or bar etc. are the major items of import from UK (Nepal Chamber of Commerce 2015). Major Nepalese exports to the UK are Pashmina shawls, goatskin, leather goods, Nepalese paper and paper products, woollen carpets, handicrafts, ready-made garments, silverware and jewellery. Likewise, major imports from the UK are copper scrap, hard drinks, cosmetics, medicine and medical equipment, textiles, copper wire rod, machinery and parts, aircraft and spare parts, scientific research equipment, office equipment and stationery. In 2016, 57 percent of Nepal's total exports

to the UK were in textiles, including pashminas and woollen garments; and 22 percent was in carpets (Field 2018). Exchange of visits by trade delegations from Nepal and Britain has added a new dimension to the commercial relations between Nepal and Britain. Nepal-Britain Chamber of Commerce and Industry is active in promoting trade and investment between Nepal and UK. Also, British tourists come to Nepal every year for trekking and mountaineering and other leisurely activities. The following figures indicate the annual tourist arrival from the UK to Nepal for the last few years:

<i>Year</i>	<i>No. of Tourists</i>
2006	22708
2008	33658
2010	35091
2012	41294
2014	36759
2016	46295

The UK is among the primary tourism generating countries for Nepal. Owing to our historical linkages and increasing people-to-people contacts, the prospects for increasing the tourist arrival from the UK in Nepal are quite promising. Keeping this fact in view, Nepal has been actively promoting Nepal as an attractive tourist destination for the British public.

Foreign investment commitment from the UK stood at 1663 million rupees till 2013/14. The major investments were in the areas of banking, tourism, education, technology. An agreement for the promotion and protection of investment between Nepal and UK was signed on 2 March 1993. Major investments from the UK in Nepal are in the areas of banking, tourism, education, and technology. An agreement on promotion and protection of investment between Nepal and UK signed on 2 March 1993 provides a framework to further expand cooperation in this field (Nepal Chamber of Commerce 2015). In this context, the proposal for signing another agreement on avoidance of double taxation will further help boost the flow of FDI between the two countries. There are some British joint ventures in the areas of hotel, travel & trekking, tea production, garments, biotechnology and consultancy.

There are many British and NonResident Nepalese (NRN) entrepreneurs who are still making trade and investment successes in Nepal. Standard Chartered Bank and Unilever are two major British companies who have made a huge return from their investment in Nepal in the last 20 years (Kandel 2016). British program for post-earthquake reconstruction in Nepal has already helped to build over 250 km of foot trails, rehabilitate almost 200 water schemes to benefit over 100,000 people, and has developed new approaches to retrofitting earthquake affected houses (Field 2018).

Constructivism

For classical realists, states are the only rational actors in international relations, while liberalists prioritize on the economic interdependence and reciprocity particularly among the states and non-state actors. Going little ahead are the constructivists, who identify social interactions as the hallmark of bilateral and multilateral relations. Here, we analyze the bilateral relations between Nepal and the UK in the context of broader social relations. Unlike realists and neoliberals, who tend to simply take state interests as given, constructivism analyzes international relations in wider social relations. It examines how states' interests and identities are intertwined, as well as how those identities are shaped by interactions with other states. Constructivists believe that individuals, groups, through travel, writing, and meeting with elites change ideas and encourage certain types of norms (Wendt 1999). Hence, it appears best to analyze the role of Gurkha in Nepal-UK relations from the prism of constructivism.

The UK and Nepal often boast of their shared past, whether it is about Jung Bahadur's visit to the UK in the 1850s, or the first hydro project in Nepal built by the British in Pharping in 1911, or the British-led expedition that reached the Summit of Everest in 1953. And it is true that this help give our relationship its strong foundations (Field 2018). Nothing, however, symbolizes the ties between the two countries than the humble Gurkha (Thapa 2016). The name "Gurkha" comes from the hill town of Gorkha from which the Nepalese kingdom had expanded (BBC 2010). The Gurkha soldiers are the most visible bridge between Nepal and the United Kingdom. For instance, while addressing the reception at the ceremony that kicked off the 200 years' celebrations in December 2015, which was actually hosted for Kamal Thapa, the then foreign minister of Nepal, who had reached London for the occasion, the British Minister of State for Asia, Hugo Swire,

said: "As the son-in-law of a former Gurkha officer, Nepal is particularly close to my heart..." (Thapa 2016). Gurkhas' service in the British army started on April 24, 1815, which is continuing till the date spanning more than two hundred years. The solid foundation of the relationship is built on the history of service, sacrifice and bravery of these Gurkha soldiers. The ranks have always been dominated by four ethnic groups, the Gurungs and Magars from central Nepal, the Rais and Limbus from the east, who live in villages of impoverished hill farmers. But their numbers have been sharply reduced from a World War II peak of 112,000 men, and now stand at about 3,500. During the two world wars, 43,000 men lost their lives (BBC 2010). As Hindus, the soldiers from Nepal were forbidden to cross the "KaalaPaani" or black water as they called the sea, under pain of losing of caste, except with special dispensation, and a purification ritual called "Paani Patia.". Maharaja Chandra Shamsheer Rana arranged with the supreme religious authority, the Raj Guru, for this dispensation to be granted automatically to all the Gurkhas going overseas with the approval of the Nepalese government, solving the problem once and for all (Gurung 2017). The historic visit to Nepal in 1911 by the newly-crowned King George V of England gave great impetus to the relationship between the two nations. The prime minister of Nepal accompanied the British King in one of the greatest shooting expeditions ever arranged in Nepal and was reputed to have shot over 21 tigers, 10 rhinoceros, and 2 bears. It was during that visit when King George V decreed that Gurkhas would be eligible for the Victoria Cross (VC). Until then, the highest valor a Gurkha soldier could get was the Order of Merit. The Gurkhas would eventually win two VCs in the First World War (Gurung 2017).

Today, Gurkhas are based at Shorncliffe near Folkestone, Kent - but they do not become British citizens (BBC 2010). During his 10 weeks in Afghanistan, Prince Harry lived with a Gurkha battalion. There exists a cultural affinity between Gurkhas and the Afghan people which is advantageous to the British Army effort there. Prince Harry has eulogized Gurkhas by stating that: "They are tough, they are brave, they are durable, and they are amenable to discipline. They have another quality which you could say some British regiments had in the past, but it's doubtful that they have now, that is a strong family tradition. So that within each battalion there were usually very, very close family links, so when they were fighting, they were not so much fighting for their officers or the cause but for their friends and family." (BBC 2010).

Also, Actress Joanna Lumley has been supporting the campaign of the Gurkhas. Now, all retired Gurkhas have won the right to live in the UK, following a high-profile campaign led by actress Joanna Lumley, whose father served with the 6th Gurkha Rifles. Gurkha veterans have also continued to fight for equal pensions with the soldiers they served alongside. In 2007, pension rules were modified to give serving Gurkha soldiers equal pension rights with other service personnel in the UK. But the British Gurkha Welfare Society said about 25,000 men who had retired before 1 July 1997 were denied the opportunity to transfer into UK armed forces pension schemes (*BBC* 2010). It said the government had acted unlawfully by paying them a third of the income of UK-based soldiers, and vowed to fight on. A High Court test case in January 2010 ruled in favor of the Ministry of Defence, which argued the pension cut-off date was “justified and proportionate”. That decision has since been challenged by the Gurkhas, who have taken their battle to the Court of Appeal (*BBC* 2010).

Albeit the recruitment of Nepalis into the East India Company army began soon after the Anglo-Nepal War of 1816, it was only when Bir Shumsher came to power through a coup in 1885 that he was compelled to recognize British India’s ‘right’ to draft Gurkha soldiers. In exchange, they would blindly support his authoritarian regime. Thus the Gurkha lahureys became, as anthropologist Mary Des Chene writes, ‘the coin of trade between British and Nepali interests’ (Pandey 2014). In the early 1990s, Chandra Shumsher went on to pledge Nepal’s entire armed forces and all possible recruits to Britain even before war broke out in Europe in 1914. The British would provide concessions in arms purchase and an annual subsidy of Rs 1 million for the rulers’ private treasury. The Gurkha regiments bought prosperity not only to Rana rulers, but injected untold wealth into our restricted economy. The survivors of World War I came back with an unprecedented Rs 130 million in remittance, which far outstripped the country’s annual revenue of the time (Pandey 2014). The families and friends of the soldiers were introduced to the kind of affluence and material riches that they had never imagined possible in their lives. All the way from Nautanawa, these youngsters spent so much money that porters charged more, taverns opened up along the foot trails, minstrels got enough to eat, innkeepers got fatter, and land-prices soared ... everyone started hoarding Indian currency at home and people migrated to India and Burma because Kathmandu couldn’t provide the lifestyle that they

were dreaming of (Subedi 2012). Lured by the colorful tales and newly acquired wealth of their foreign-returned relatives and friends, young men in the Janajati communities were convinced that upward mobility comes quickest through army pay-cheques. Even today tens of thousands train, apply, and fight for the 230 coveted spots in the British Army every year. While the days of a Nepali mass exodus to other armed forces are all but over, the exceptional contribution of Gurkha soldiers to their homeland and their adopted battalions in the past 200 years, remains a willfully misconstrued historical oddity (Pandey 2014).

Another important aspect of Nepal-Britain relations which can be interpreted from the prism of Constructivism is the area of education. The UK has been a preferred choice of destination for Nepalese students aspiring for further education. The number of Nepalese students pursuing university and college degrees was increasing until lately when there were major changes in UK's immigration policy and regulations relating student visas. Nepal appreciates the initiatives of UK government in further regulating the educational institution targeted for foreign students and relevant visa regimes. Furthermore, UK supported USD 260,012 for the education of marginalized girl in Kailali district of Nepal through DFID. The School Sector Reform Plan (SSRP) aimed to ensure access and equity in primary education; (ii) improve the efficiency and institutional capacity of primary education; and (iii) enhance the quality and relevance of basic primary education for children and illiterate adults. But, it handed the responsibility of the grant management and SSRP portfolio to the European Union, which looked after the implementation of the combined DFID/EU funding under the SSRP implementation. The total commitment of DFID under the SSRP was GBP 12.5 million. This was however terminated in 2014. Equally, since the 1950s, the British Government has been regularly providing scholarships in different areas for the development of human resource in Nepal. Britain has been consistently offering Chevening Award to Nepalese. Numerous Nepalese students are pursuing higher level studies in the UK. Unforgettably, British Council in Nepal has been extending support for exam reform in the education sector.

Conclusion

Despite the long-standing harmonious, welcoming and historical relationship between Nepal and Britain, the bilateral relation at present

is getting influenced by Nepal's neighborhood, particularly Nepal's southern neighbor, which was the colony of Britain until India got the independence in 1947. Take the example of the way 2015 India-UK joint communiqué, which made a reference to Nepal's constitution drafting process. How India was able to convince UK to issue the joint communiqué while Nepal's historical and diplomatic relations with the UK is quite older than that of independent India. Nepal needs to pay heed to it at the time while India and China are growing remarkably. On 12 November 2015, while Nepal was facing a humanitarian crisis because of the blockade imposed by India on Nepal, Indian Prime Minister Narendra Modi and the United Kingdom had issued a joint statement with reference to Nepal's new constitution. Issued at the end of Modi's UK visit, the two sides had stressed on the "inclusive constitutional settlement in Nepal. The two prime ministers stressed the importance of a lasting and inclusive constitutional settlement in Nepal that will address the remaining areas of concern and promote political stability and economic growth. But, Nepal Government took strong exception to the India-UK joint communiqué, which made a reference to Nepal's constitution drafting process. Condemning the joint statement, Nepal government viewed that the constitution-making is an internal matter of the country and Nepal is capable of handling its internal affairs on its own.

References

- Basnyat, Prem Singh (2017), "Hating Mahendra," *Republica*, Kathmandu, 4 September 2017.
- Baylis, John. et al. (2011), *The Globalization of World Politics: An Introduction to International Relations*, OUP Oxford,
- BBC (2010) "Who are the Gurkhas?" *BBC News*, London, 27 July 2010
- BBC (2013), "Nepal's Colonel Kumar Lama Charged in UK with Torture," *BBC News*, London, 5 January 2013
- Farwell, Byron (1984), *The Gurkhas*, London: Allen Lane,
- Field, Mark (2018), "Steadfast Friendship," *The Kathmandu Post*, 6 May 2018.
- Government of Nepal- Ministry of Finance (2017), "Development Cooperation Report," December 2017.
- Gurung, Tim (2017), "Gurkhas in the First World War," *Ejinsight on the Pulse*, 2 November 2017.
- Institute of Foreign Affairs (2014), "200 Years of Nepal-Britain Relations: A Way Forward," Institute of Foreign Affairs and Chevening Alumni Association of Nepal, 15th September, 2013, p. 19.

- Kandel, Rajan, (2016), " Trade and Investment between UK and Nepal," *Nepalipatra*, Kathmandu
- Lamsal, Yuba Nath (2014), "The Anglo-Nepal War Impact on Foreign Policy," *The Rising Nepal*, Kathmandu
- Nepali Times (2014), "Double Centennial," Editorial, Kathmandu, 3-9 January, 2014.
- Nepal Chamber of Commerce (2015), "Celebrating of 200th year of Nepal-UK Diplomatic Relations," Kathmandu
- Onta, Pratyoush (1994), "Dukha during the World War," *Himal Magazine*, Kathmandu, Vol 7, No 6,
- Pandey, Sunir (2014), "100 Years of Platitudes," *Nepali Times*, Kathmandu, 3-9 January, 2014.
- Pandey, BhimBahadur(1985), *TeshBakhatko Nepal*, Kathmandu: SajhaPrakashan, vol.V
- Singh, NagendraKumar (1996), *Nepal and the British India*. New Delhi: Anmol Publications.
- Subedi, Jhalak (2012), *BritishSamrajyaKa Nepali Mohara*, Kathmandu: Himal Books, p. 53-55
- Thapa, Deepak (2016), "200 Years of Nepal-UK Ties," *The Kathmandu Post*, Kathmandu, 29 December 2016.
- The Himalayan Times (2015), "MoFA Objects to UK-India Joint Statement," *The Himalayan Times*, Kathmandu, 16 November, 2015
- The Himalayan Times (2015), "Nepal Statute Figures in India-UK Statement," *The Himalayan Times*, Kathmandu, 15 November, 2015
- The Himalayan Times (2016), "Col Kumar Lama Returns after Acquittal by UK court," *The Himalayan Times*, Kathmandu, 20 September, 2016
- Upreti, Prem R (1984), *Nepal a Small Nation in the Vortex of International Conflicts*, Kathmandu: PugoMi, p 185.
- Wendt, Alexander (1999), *Social Theory of International Politics*, United Kingdom: Cambridge University Press.

Chapter 8

Nepal-France Relations-Honed by the Passage of Time

Mohan Krishna Shrestha

Background

The Peace of Westphalia concluded on 24 October 1648, in fact, gave rise to the self-determining states. It provided a base for co-existence and non-interference in other's internal affairs. The gradual rise of the city-states has been nurtured by the diplomatic activities with the passage of time. The establishment of diplomatic relations and exchange of Ambassadors provided a great base to develop modern states.

Countries establish diplomatic relations to promote mutual interest, friendship, understanding and cooperation. These constitute the solid foundation of growing relations. The history of establishing diplomatic relations is quite interesting. Countries, irrespective of their geographical size establish diplomatic relations. Such diplomatic camaraderie, in fact, contributes to the establishment of peace and stability in the world. Holy See, the tiniest country in the world, has an area of 0.97 sq.kms and a population of 835 persons. It is an enclave all within the Rome city. But she had established diplomatic relations with 180 countries and they have maintained equal number of Apostolic Nunciature (Embassies - 106 Residential and 74 Non-Residential). In many capital cities including Paris, their representative is the permanent dean of the diplomatic corps.

The United Nations founded on 24 October 1945, with the purpose of saving the succeeding generations from the scourge of wars, has, by now 193 states as members (*BBC* 2011). Member states are actively pursuing their country's policy goals through active diplomatic

practices. There are many tiny and microstates with few thousand persons as population. Yet the beauty of the world's multi-polar system is that they can maintain their national sovereignty. Diplomatic relations has been established between states irrespective of their sizes, population and level of economic development. The concept of the supremacy of the national sovereignty has, in fact, given chances for the mushroom growth of the tiny states with equality.

Nepal and France - Brief Comparison

Nepal and France are two independent and sovereign states. The relations between these two countries is based on true friendship, mutual respect, deep trust and co-operative attitudes. Comparatively, we find many startling differences between the two states. France is a huge country located in European continent with much political and economic power. She is a member of the United Nations Security Council. France is a highly developed country with a massive economy and nuclear weapons capacity. She is equally famous for diplomacy, art, architecture, culture, literature, modern technological innovations and development. France, a former colonial power, is yet playing a catalytic role in the world affairs, particularly, in the Francophone countries of the African continent. France is also a major arms manufacturing country. Her achievement in scientific development and aviation industry are superb.

While, Nepal is an old country located in South Asian continent with massive Himalayan chains formed some 540 million years ago (Tilman 1952). Highest peak in the world Mt. Everest at 8,848 meters lies in the northern part of Nepal along with many other high peaks. The presence of such innumerable snowy Himalayan peaks has given Nepal a nickname - *Water Tower* due to the incessant cold waters flowing from these areas (*Ibid.*). Nepal is a multi-ethnic, multi-cultural and multi-religious country with enormous natural resources. Her water resource is considered to be second highest in the world while rich bio-diversity is unparalleled. The potential in tourism development is enormous. Since last one decade, Nepal has ended her internal political problems as such, she is now marching ahead in the path of rapid economic development. A truly naturally beautiful country, Nepal has an image of a Shangri-La and attracts visitors from many countries.

Early contacts

It is presumed that early contacts between Nepal and France dates back to the mid 16th century. For historical evidence, we can cite the stone inscription established by King Pratap Malla on 16 January 1654 at the Hanumandhoka Palace quarters. In the inscriptions, two French words "l'autome" (autumn) and "l'hiver" (winter) are inscribed. It is said that King Pratap Malla, was a poet himself with a penchant for the development of the arts and culture. He installed that inscription with words, at least, from 15 other dialects (*Republica* 2011). Saying goes that if someone can read all those words from the inscriptions, milk would flow from inside. But so far today, no one has been able to do such superb job. Another historical evidence indicates that Frenchmen Christian Gruber and D'Orville entered into Nepal with a purpose of providing educational and medical services in 1661 A.D. (356 years ago) (Jones 1966). Around the same time, Jean-Baptiste Tavernie, a Jeweler, came to Nepal and he mentioned about the kings' domains in his 6th journey account in 1676. Francois-Marie de la Tour (Capuchins) was permitted by then Kings to stay in their kingdoms with preaching right. He founded a hospice at Kathmandu valley (*Ibid.*).

Historical Perspectives

It is understood that during the unification campaign unleashed by Great King Prithvi Narayan Shah, he sought co-operation from the French military advisors. They were instrumental in producing small muskets proved helpful during those times. Later on, a jolt came in 1769 A.D. after the completion of the unification process. King Prithvi expelled all Christians forcing them to seek shelter in Bettiah (*Chruch in Nepal* 2009). Later on, after the signing of the Sugauli treaty, then Prime Minister Bhimsen Thapa, solicited co-operation of France to Nepal's military in various ways including technical training (Adhikari 2015). For the first time, then Prime Minister Jung Bahadur Rana visited France from 15 August to 10 October 1850 on his way back from Britain. It was his private visit to France yet he due courtesy and warm hospitality from the French Government (Whelpton 1983). Ruler Napoleon III presented Jang with a sword which is well preserved until now. It is said that French ruler Napoleon asked Jung about his wish to see things in France. In reply, the latter expressed to see a huge military parade. France was

war weary at time, so they produced a huge military parade within a certain boundary as said to me by some Frenchman while in Paris. Prime Minister Jung was impressed by well organized French military and their discipline (*Ibid.*). He also took note of the on-going development of science and technology. Moreover, Napoleon code for efficient civil administration impressed him much (*Ibid.*). As a result, upon his return to Nepal, Jang codified a Muluki Ain and published it in 1853.



(Sword presented by Napoleon III to Jang Bahadur Rana (courtesy: French Embassy, Kathmandu))

French scholar Dr Gustave Le Bon obtained official permission to visit Nepal in the 1880s. He holds the distinction of becoming the first French scholar to explore Nepal's arts, culture and architecture of Kathmandu valley. It was, indeed, a formidable task in Nepal at that time to embark on such a mission as the country was almost in a forbidden state. He wrote **Voyage au Nepal** which was published in 1886.

Another milestone event was the granting of the permission by then Prime Minister Bir Shamsheer Rana to orientalist and scholar Sylvan Levi in 1897-1898 for undertaking research and to pursue studies on Nepal. He was given permission even to use Bir library. For the second time, he, again, obtained permission to enter Nepal

by then Prime Minister Chandra Shamsheer Rana. His studies led to the publication of his famous book *Le Nepal* which was published in 1904. This book was instrumental in making Nepal known to the outside world in those days.

The interest of French scholars did not stop rather continued. French Buddhist scholar Alexandra David Neel got permission for pilgrimage in Nepal in 1912-13. She was provided with certain means of transportation facilities. She wrote *Au Coeur des Himalayas: Le Nepal*.

Himalayan Connections

Besides French interest in academic pursuits, French mountaineers and alpinists were also pursuing their interest in Nepali Himalayas. French mountaineering Federation got permission for undertaking expeditions in various Himalayas of Nepal. A seminal breakthrough came on 3 June 1950, when French alpinist Maurice Herzog scaled Annapurna - I (8,091 meters high). It was the first time that human feet had touched the top of a Himalaya exceeding 8 thousand meters. Herzog wrote a book titled *Annapurna* which was translated into several other languages and sold millions of copies. In fact, this book played an important role to introduce Nepal to the gradually modernizing world. Especially, Nepal's high Himalayas were introduced to the mountaineers and alpinists of the world. The other milestone events were recorded by Pierre Mazeau and Dr. Christian Janin, who scaled Mt. Everest, the highest peak in the world at 8,848 meters in 1978 and 1990 respectively. They set the record of becoming the first Frenchman and woman to complete that feat. During the decade of 1950-60, French alpinists pursued their interest in other Nepali Himalayas including Makalu and Annapurna as well.

Diplomatic Relations

Nepal and the French Republic entered into diplomatic relations on 20 April 1949. France was the fourth country after Britain, United States of America (USA) and India to establish diplomatic relations with Nepal (MoFA Nepal 2009). It might be a culmination of the French eagerness to begin friendly relations with Nepal which was virtually at a closed state. Since the establishment of the diplomatic relations, both countries continue to enjoy immense goodwill, trust and mutual respect. Poles apart in the stages of economic development,

yet the relations between Nepal and France is based on true friendship, deep mutual understanding and cooperative spirits. A bond of affection and camaraderie emboldens the strand of friendship between Nepali and French people.

The first French Ambassador to Nepal Daniel Levy presented his Letter of Credence to then Prime Minister of Nepal on 24 April 1949 amidst a special ceremony (*Ibid.*). It was just 4 days after the establishment of the diplomatic relations between the two countries. It showed how much enthusiastic both countries were to develop their bilateral relations. He was the son of famous Sylvan Levy, who visited Nepal almost fifty years ago.

Later on Jean Francois was appointed as the first residential Ambassador of France to Nepal in 1967.



Presentation of credential by first French Ambassador to Nepal on 24 April 1949
(courtesy: French Embassy, Kathmandu)

In the middle of Sixties, both countries established their residential embassies in each other's capital. Nepali residential Embassy was established in Paris in 1965 and French Embassy was established in Kathmandu in 1967. Mr Sardul Shamsher JB Rana presented his Letter of Credence to President Charles de Gaulle on 16 September 1967 in Paris as the first residential Ambassador of Nepal to France.



Presentatin of credential by first Nepali Ambassador to France on 16 Sept. 1967 at Elysees Palace in Paris
(Courtesy : French Embassy, Kathmandu)

Since then, the relations between our two countries have been developing smoothly up to mutual satisfaction. The relations between our two countries and peoples have remained most cordial and deep-rooted. Our relations is based on mutual comprehension and cooperative attitudes. Both countries hold similar views on many international issues of topical importance. Our bilateral relations continue to grow except a short aberration in the period from 2000 to 2010.

Exchange of Visits

In the annals of the relations between countries, the exchange of high-level visits would provide as nourishment. Late King Mahendra paid a State visit to France in October 1966 and was warmly received by then French President Charles de Gaulle. Later on, late King Birendra paid a State visit to France in October 1989 as well as paid other visits in 1981 and 1994 (*Ibid.*)

The long standing friendly ties between Nepal and France received further momentum with the various high level visits from time to times. Prime Minister Man Mohan Adhikary, visited France in April 1995 on his way back from Denmark after attending the

World Summit on Social Development (Spotlight 2011). Other important visits include the visit of Deputy Prime Minister and Minister for Foreign Affairs Madhav Kumar Nepal in 1995, Prime Minister Mr Girija Prasad Koirala in March 2001 and Deputy Prime Minister and Minister for Foreign Affairs KP Sharma Oli in 2006.

From French side, a delegation of French Senators led by Yvon Collin, the Chairman of France Nepal Amity Group in the French Senate paid an official visit to Nepal in September 2006. Dr. Marie Sudre, Minister of State for Foreign Affairs paid an official visit to Nepal in May 1996.

The most important high level visit was paid by late President Francois Mitterrand from 2 to 3 May 1983. It was a seminal state visit from France to Nepal at Presidential level and it gave a big boost to Franco-Nepalese relations. When the author himself was an Ambassador to France, he requested France for the Presidential visit to Nepal citing that no visit at such high-level has taken place in last three decades. However, the concerned authority replied him that a single country visit might not be possible due to the time factor yet a short visit might be possible when the President goes to the nearby country.

During author's Ambassadorship, he used to go the French Foreign Ministry to tell them that a next Presidential visit to Nepal is due as it has been more than 3 decades. They used to reply to me that However, not much progress could be achieved so far in this context.

Since then, many high level visits have been exchanged during these intervening years. During my stay in Paris, four former Chief Justices of the Supreme Court came to visit France. One among them was an official visit. They were welcomed and briefed by French side on judicial matters of France. Similarly, many high dignitaries of Ministerial and Secretarial ranks visited France on several occasions including attendance at UNESCO's annual conference.

Bilateral Relations

Bilateral economic co-operation between Nepal and France commenced in February 1981 after the signing of the First Protocol. France provided a loan amounting to French Franc 50 million (MoFA Nepal 2009). Food aid and the counterpart funds that it generated have remained the main form of aid since 1991. Main areas of cooperation were confined to national seismologic network, petroleum

exploration, water supply, rural development, rehabilitation of airports and food for works program (*Ibid*). France extended economic and technical cooperation to Nepal during the decade of 1980 and 1990 which remained vibrant. France even wrote off a debt of 100 million francs to relieve Nepal from debt burden. Moreover, France also sent thousands tons of wheat to Nepal as a help. However, our relations nosedived with the beginning of 2000s. French Government made a paradigm shift in its official development assistance policy in 2000. Focus had been given mainly to 18 Francophone countries in Africa and some countries Asia. Moreover, from our side, absence of Ambassador in our Embassy in Paris for almost six years, in two installments, caused a lot of consternation and unpleasant situation in our long relations. The Absence of Ambassador in a major diplomatic city like Paris, for almost four years in a stretch, would naturally brew anxiety to all concerned. Currently, there is no direct bilateral official development cooperation from France to Nepal. However, ODA is being channelled through the European Union (*Ibid.*).

Trade, Business, Investment and Tourism

Nepal and France enjoy bilateral trade relations. Nepal exports woollen carpets, pashmina products, pulses, incense sticks, handmade papers, handicrafts, ready-made garments, woollen goods, silver jewellery, tea and coffee and a host of other primary goods to France (*New Business Age* 2013). Similarly, Nepal imports machinery and parts, industrial raw materials, aircraft and spare parts, helicopters, telecommunications equipment, electrical goods, scientific research equipment etc. from France (*Ibid*). Up to a few years back, trade relations was not that much imbalanced. However, since the last two years, imports from France has jumped to a high level making a huge trade imbalance.

Trade Export to and Import from France (Rs. in millions)

Year	Exports to	Imports from
2010	1,217.90	2,170.71
2011	1,165.03	1,226.58
2012	970.49	1,819.80
2013	1,259.90	1,471.86
2014	1,213.67	2,037.03
2015	1,293.11	7,424.51
2016	1,244.15	7,029.48

In Nepal-France bilateral trade area, Nepal can do a lot in future as our skilled people are producing more and more new products. Natural ingredients and bio-diversity produces might have a great market potentiality in French markets. The effective implementation of the economic diplomacy with well run programs might play a catalytic role in furthering our economic interest in France. In this age of globalization, countries with competitive edge world prevail. An amiable business environment in the country would usher into a new era of global business relations for mutual benefit. World Trade Organization promotes free and fair trade. It will motivate countries, both developed and developing, to engage in a mutually beneficial trade practices.

Business: Emerging Trends

From economic points of view, Nepal might be a less significant country for France but for Nepal, the truth is vice versa. After years in limbo, French business connections have been re-emerging in Nepal in recent years. French companies have bagged several business activities. The Government of Nepal awarded a contract to Oberthur Technologies of France in 2010, for printing and delivery of Machine Readable Passport (MRP) (*Ktm2day* 2010). Since 26 December 2010, millions of MRPs have been produced and delivered to the Nepali citizens. Nepal Airlines bought two A320 planes and it is preparing to buy two more bigger size planes of A330-200 series (*Aviation Nepal* 2017). With the acquisition of such big and long range planes, Nepal Airlines can fly to any part of the world in coming days. Besides, ATR planes and helicopters are being purchased by private airlines from time to time. French company has won the tender to produce Machine Readable Passports (MRP) and they are working on continuous basis. French interest in the development of the hydropower continues to grow although no project has been developed so far. With political problems being gradually sidelined, Nepal also offers many opportunities for business expansion. Several French business houses are actively pursuing their interest in Nepal. French expertise in the development of hydropower, telecommunications, aviation and many other infra-structure development fields might be extremely useful for Nepal.

On other side, Nepal also seeks to learn and import French technology in many fields. Several French companies have expressed

their interest in the development of hydro-power. French have good expertise in this area. Trackwell, a French company got consultancy work on a big hydro-power development project. Nepal may not be a big market for the French companies, but French are getting business in one or another field. It might grow further in future as Nepal is poised to march in the path of rapid economic development following the permanent settlement of the political problems.

Investment

Nepal and France have signed an agreement for Reciprocal Promotion and Protection of Investment in 1983. It provides a framework to protect and grow mutual investment and trade. However, even after such a long time, much desired results could not be achieved due to several constraints. The major areas of French investment comprise in small hotels, restaurants, production of ayurvedic medicines, aluminium windows and doors, vehicle body building sectors (*New Business Age* 2014) France is a prominent Foreign Direct Investment (FDI) country. In view of the possibility, current FDI import from France is too small. There is big room for enhancing FDI from France in suitable projects in coming days. There is no shortage of Foreign Direct Investment, if we know how to lure them.

Tourism

Nepal is, indeed, a country of attraction for the French tourists. Nepal's soft power like alluring snow-peaked Himalayan range, its age-old history, arts and culture, natural beauties, multi-faced social fabric, gastronomy and an image of a Shangri-La always attract French visitors. The genial and hospitable nature of the people are yet another attraction. Authors knows Mr. Christian Juni, an owner of a travel agency, who has had visited Nepal more than sixty times and yet his appetite to visit the country seemed insatiable. France is the number one country in terms of tourists arrival. They welcomed 83 million tourists in 2015. Similarly, French tourists visit every nook and corner of the world. But French tourists to Nepal have not crossed more than 30,000 numbers yet. There exist a huge potentiality to lure French tourists if we can run suitable promotional programs in Paris and other important cities.

Economic Diplomacy of Nepal and France

Main objectives of the foreign policy of a country, these days, are to achieve economic prosperity. Countries, therefore, have adopted economic diplomacy as a corollary to the foreign policy. In Australia and Korea, trade is attached with Foreign Ministry with a view that both are intertwined and must go together. For accelerating the pace of economic development using available resources, Nepal also implemented the policy of economic diplomacy since 1996. Main objectives of this policy are: tourism promotion, promotion of exportable produces, foreign direct investment, water resources development, foreign employment promotion and foreign aid enhancement. This is the most appropriate policy in view of Nepal's enormous resources. Yet, the implementation of the policy has not been that effective due to investment budgetary constraints and effective programs.

France also implemented economic diplomacy in 2013 with a view to achieving economic recovery. The main objectives of this policy are to support French companies doing business in foreign markets, attract foreign investment to create jobs and better adapt the European and international regulatory frameworks. Such measures were created to further defensive and offensive economic interests to deal in an exacerbated international competition unleashed by globalization. An action plan was chalked out by the Ministry of Foreign Affairs for its implementation and it was presented during the Conference of Ambassadors on 27 August 2012 in Paris. The Minister of Foreign Affairs directly oversees its implementation and all French Ambassadors are destined to a leading role in their respective countries of residence.

French economic diplomacy has identified and devised ten focus areas which are:

1. Business and Global Economy Directorate with Seven special representatives to contribute to boosting the dynamism of economic relations with key countries like Algeria, China, India, Japan, Mexico, Russia and the United Arab Emirates. Regional ambassadors are appointed to promote contacts between regions and their businesses on the one hand and the diplomatic network on the other.

2. Increased mobilization of the network abroad - Thirty target countries have been identified to begin with. Economic councils are established in embassies, which bring together government departments and businesses
3. Ministerial visits with an economic dimension - The Minister for Foreign Affairs visited Colombia, Panama and Peru in February 2013 for example, as well as Central Asia in March the same year on exploratory missions.
4. Promotion of French innovation - The ties between competitiveness clusters and the network are strengthened to support their outreach on foreign markets. Ten international technical experts will be appointed within foreign “clusters” to relay the efforts made by their French counterparts. Beyond scientific watch, the network will step up its efforts to make innovative projects by French companies better known worldwide.
5. Attracting foreign investment - Embassies participate in efforts for prospection and promotion of foreign investment in France.
6. Mobilizing soft power tools - Grants for foreign students trained in France are targeted towards high-potential countries, taking into account the disciplines which correspond to French economic interests. The cultural network contributes to developing the “French brand”.
7. Visas - Visa policy is also perceived as a lever for attractiveness. Visa rules, therefore, have been made more flexible to stakeholders of bilateral relations, businessmen and potential investors, foreign students and tourists as well. Partnerships with businesses, chambers of commerce and universities are forged in order to simplify the procedures concerning them.
8. Support for expatriation - The creation of a “Grand Voyageur” passport aims to simplify administrative procedures for business people.
9. Better communication with businesses - The Ministry of Foreign Affairs received businesses during an open day, the

“Rencontres Quai d’Orsay – Entreprises” on 9 April 2013, the largest event ever organized by MOFA for businesses with 700 participants.

10. Ministry staff -Training modules on economic and trade issues are being stepped up to MOFA officials. Candidates with economic profiles are sought after, particularly from backgrounds of economics and business schools. The presence of diplomats in businesses will be encouraged and developed.

France-Nepal’s Common Issues

Nepal and France hold similar views on many international issues. The United Nations General Assembly decided in 1979 to convene a United Nations Conference on the Least Developed Countries. There are 48 LDCs with a total combined population of 610 million. France although herself a fully developed and rich country has never forgotten her responsibility of helping the less developed and less privileged countries. Her annual official development aid comes to around 50 - 60 billion Euros channelled through the European Union. France also takes with, a pinch of salt, the pitiable economic conditions in many least developed and land-locked developing countries.

France hosted the First ever United Nations Conference on Least Developed Countries in Paris from 1 to 14 September 1981. The conference adopted a Substantial New Program of Action (SNPA). Many LDCs introduced policy reforms for structural transformation of their domestic economies. Donor countries gave supportive measures in the areas of aid, debt and trade yet the economic situation of these countries, as a whole, worsened in the 1980s. Factors responsible for worsening stage included domestic policy shortcomings, natural disasters and adverse external conditions. In addition, external debt servicing emerged as a major problem for most of the LDCs in the 1980s. The conference was attended by member countries of UN. Late King Birendra of Nepal addressed the conference as a keynote speaker on 3 September 1981. He highlighted on the host of problems being faced by LDCs and LLDCs. The second United Nations conference on LDCs, as a corollary to the first one, was also organized by France in Paris from 3 to 14 September 1990. France, therefore, merits credit for her contribution in this regard. The Third Conference was hosted from 14 to 20

May 2001 in Brussels and the Fourth one was held from 9 to 13 May 2011 in Istanbul in Turkey.

Terrorism

Both of Nepal and France condemns terrorist activities, in any sort of manifestations. France was a victim of the terrorist attacks in 2015 in which more than hundreds of innocent people lost their previous life. Thereafter too, France faced continuous attempts of the terrorist attacks. Terrorism is a scourge of the modern day world and it brings dangers and fear to the civilized society. Terrorism fuels chaos and instability among the citizens. So, both countries hold the firm view that terrorism must be firmly dealt and defeated ultimately. Nepal strongly condemned the terrorist attacks in Paris on 13 November 2015 causing the loss of several precious lives of innocent people. France condemned the terrorist attacks in Kabul on 20 June 2016 in which 14 Nepalese were killed.

Climate Change

Climate change has been featuring as one of the most important and urgent issues in the world. France hosted the World Conference on Climate Change (COP 2) in Paris in 2015 which was attended by many Heads of State and the governments. Nepal also participated in the conference. As Nepal hosts massive snow-peaked Himalayan range, naturally, climate change and global warming are serious issues for Nepal also. Nepal always lends its helping hand to fight against the global warming.

Socioeconomic Development

Nepal and France hold similar views on many social and economic issues besetting the world. France considers seriously the problems being faced by developing countries like depleting economic resources needed for investing in the social development. LDCs are facing a host of problems in terms of their development and trading which really hinders their overall growth.

International Issues

Since the establishment of the United Nations in 1945, a common world platform has been created for member countries to air their views on many current international issues. Such issues cover all

political, economic and social aspects. Despite many astounding development science and technology have achieved, yet many preliminary political and economic issues have not been solved. France and Nepal are working from their respective fields for the protection and promotion of the human rights and to establish peace and stability in the world. Nepal has been contributing her troops to the United Nations peace keeping operations since 1958 (*Global Security* 2016).

Academic Relations and Cultural

On academic sides, as back as in 1960s, during the rule of King Mahendra and General Charles de Gaulle, landmark events took place in the Franco-Nepalese educational cooperation. Both countries began to teach each other's official languages in each others' capitals. In 1965, King Mahendra invited Prof. Mark Gaboriau to teach French language to then Crown Prince Birendra. Thereafter, he went a step further and opened French language class at Darbar High School in 1966. It heralded a new age of co-operation in academic fields. Later on, French language was taught at the Campus of World languages. The author himself has studied French language at this campus from 1975 to 1977 at the intermediate level. At present, Alliance Française Kathmandu is actively pursuing the objectives of teaching French language and promoting French cultural perceptions to the Nepalese people (*Spotlight* 2014). The presence of hundreds of Nepali students shows the growing popularity of the French language and culture. Alliance Française Kathmandu has been providing French language classes to the Nepalese army and police personnel also. Such help has been useful to them while serving in the francophone countries on United Nations mission. As the framework agreement of Alliance Française de Katmandu has been renewed, AFK will remain active in Nepal for at least ten years and even beyond.

Hundreds of bright Nepali students have got good opportunities to study in French universities with scholarships. She is one of the countries which owe her development to the high level of the education among the citizens.

On cultural side, it is found that French nationals are attracted to Nepali culture and gastronomy. At least, six local level NGOs in Paris are engaged in the promotion of their objectives and Nepali culture. Particular mention can be made of the annual cultural event managed by Maison Culturelle du Nepal in June at Vincennes. It draws

thousands of French visitors to see cultural events and enjoy Nepali dishes. Similarly, French Embassy in Kathmandu is also managing to host Planet Nepal with several activities to promote cultural values and nexus between these two countries.

Alliance française de Katmandou

The Alliance is offering courses on French languages to the general public as well as trekking agencies, international hotels, staff belonging to UN agencies, or some foreign diplomats. It has signed agreements with eight schools in Kathmandu, from primary to secondary levels. Backed by local sponsors, the Alliance organizes cultural events and, on a yearly basis, the Francophony Festival and the June Music Festival.

Formidable Task

The author, during his tenure as a French Ambassador, experienced very formidable task. He along with his team took effective measures to render unbiased and prompt services to the people and maintained excellent relations with French MOFA. In this connection, Nepalese Embassy in France, under the initiation of the then Nepalese Ambassador to France, Mohan Krishna Shrestha, organized various interaction programs with French professors, academicians and researchers, renewed friendship with French friends of Nepal old and new as well as with French NGOs involved in activities in Nepal. Relations with foreign Ambassadors and other diplomatic friends reached at excellent level, thanks to wining and dining diplomacy.

The Embassy also Nepalese businessmen visiting France, maintained good liaison with Non-Resident Nepalese Association, other organizations and Nepali community. The Embassy also maintained excellent relations with Nepali students which was useful to promote Nepal in France. The Embassy organized a program in April 2013 in Cite University, twice nominated for Nobel Peace Prize, which was a huge success. The Embassy also celebrated Republic day, Vijaya Dashami and Teej with much public participation. In January 2014, the Embassy hosted a meeting of our Honorary Consuls under the countries of accreditation for the promotion of Nepal in their respective countries. Positive actions in all fronts brooked public support and cooperation to the Embassy.

The Embassy also helped different organization, businessmen and others in participation in their programs. There is a classical example of the love and affection of the French people to Nepal. Mayor Alan Scudellaro of Lamothe-goas and his wife are avid lovers of Nepal. This small city lies about 1000 km in Southern France. They have adopted a Nepali boy and also established a NGO called *Gers Himalayan Association*. Since many years, GHA has been providing cooperation to a school in Dhading district. He said, they raise chicken to produce eggs and buffalo for milk to provide to the students. Each year around April, a group of people from this city visit Nepal and extend cooperation to the students. Moreover, on 10 November 2010, GHA celebrated their 10th year of establishment and we saw many people there including Deputies from neighboring Florence. Similarly, Lorrain Nepal and Nepal et Vous are also very active NGOs. They raise money to extend help to Nepalese village students. There are also many other French NGOs which provide co-operation to the poor students in the village making school buildings, providing textbooks and the construction of dispensary as well.

Promotional Programs

Embassy's next actions centered on the hosting of Nepal promotional programs in Paris and outside. France hosts about 83 million tourists a year making it as the number one tourist importing country. Around 28 to 30 thousand French tourists visit Nepal each year. But there exists an immense possibility to invite more tourists from France. Tourism, indeed, is the most prominent business activity which accrues direct benefit to the economy and immediately. But, it was rather difficult to host a program in an expensive city like Paris with exiguous budgetary resources. Yet the Embassy hosted a program on 15 March and 22 November in 2011 UNESCO halls. At a program on 18 September 2013, French MoFA sous-Director Madam Veronique Roger Lacan expressed the happiness of the French Government saying that our bilateral relations is being nursed back to health with the strenuous efforts of the Embassy.

Besides, with cooperation from the Mayor of 17th Arrondissement, the Embassy organized programs on 22 April 2011 and 19 April 2013 to commemorate the 62nd and 64th Anniversary of the establishment of Nepal-France diplomatic relations. The presentation made at the programs was excellent. On 8 July 2011, yet another successful program

was organized in Chamonix, a scenic city in the lap of Mt. Alps with the co-operation from Mayor's office. Here also, Mayor Eric Fourier and his staff were kind enough to provide free hall and other co-operation. The program was very successful. Photo exhibition and handicrafts displayed caught the attention of the guests. Mayor Fournier, an avid Nepal lover, in his speech said, it is true that seeing naturally beautiful Nepal – once is not enough and he repeated his visit to Nepal with his family in November and chartered a helicopter to visit Lukla to make a donation to the school. They also provided some free tickets to ride on the world famous steep cable car built in 1953 the next morning.

On 19 October 2012, the Embassy hosted another program in Thionville, a border city between France and Luxembourg about 320 km far from Paris, with cooperation from Mayor's office. The program was a successful event like in the past and all the guests present enjoyed the presentation on Nepal, cultural dances and Nepali food. Mayor Bertrand Metz was very gracious to provide all possible co-operation to the Embassy including hall free of charge and other services.

Future Prospects

It is really gratifying to note that there exist a reservoir of goodwill and affection for Nepal and Nepalese people not only in France and beyond. Alan Garcia, a Portugal national who has had scaled all mountains above 8 thousand meters has said when he first visited Nepal about 33 years ago, he was stunned to see a signboard which said: "*You cannot change Nepal, but Nepal will change you*". Since then, he has been visiting Nepal almost every year with an insatiable appetite for revisit. Similarly, Honorary consul in Barcelona Mr. Lluís Belvis has visited Nepal 118 times, probably, greatest in number by any foreigner. The Himalayas in the northern part of the country formed some 50.4 million years ago is a great source of attraction to the alpinists from all over the world. Similarly, many other aspects including the way of the life of the people are also a source of interest to the visitors. With well-orchestrated programs, Nepal can invite more and more tourists from all over the world. Especially at this juncture where recent earthquakes have made such a deleterious and devastating effects on tourism as well, we need to redouble our efforts to revive our tourism industry at best.

Bilateral Relations

There are many stakeholders between Nepal and France who are active in their own ways. Such people with their frequent visits to each other's country are helping to make our relations deep. With the passage of time, our relations have been expanding as well as deepening with the activities of such people. Nepali people hold France in high esteem for her exquisiteness in arts and culture, literature, diplomacy, gastronomy and modern technological development in varied areas. France is a very powerful country with nuclear capability. Capital city Paris is construed as a most beautiful and lovable city. Similarly, French people take Nepal as a most diverse and exotic country. Her soft powers like ethnic and cultural diversities allure them. The Himalayas in Nepal are the never-ending attraction for the French mountaineers and alpinists. French Ambassador to Nepal His Excellency Yves Carmona says "Nepal is an idyllic country for the French people due to her myriad attractions."

Youngster's Role

As in other developed countries, French youths also wean themselves from parents when they become 16 to 18 years. They are curious about other countries. During the summer vacation, many youths go to visit other countries in several parts of the world. This way, they try to learn the cultural differences and enjoy natural beauties of other countries. Nepal continues to be a country of attraction for the French youngsters. Sensitizing efforts at the various levels, has contributed to attract French youths towards our country. Inquisitive they are, French youths always try to take the situation in other countries in different ways. The author knows a French young man who is the son of former French Ambassador is settled in Nepal and he is running a cheese factory and selling those in the local market. Another French lady has established a restaurant recently in the heart of the city. There are several other French youths volunteering to help Nepali people at various levels and places in varied ways.

Role of NGOs

Over 80 French NGOs are providing help in Nepal, mainly in the education and health sectors. France is contributing multilateral aid to developing countries through United Nations agencies and other International Organizations. The French government had been

providing a few scholarships in the field of public administration, diplomacy, journalism, hotel management, musicology, literature, French as a second language, etc. until the last few years.

Several French Non-governmental organizations are actively working to help Nepali children in the farflung areas of the country. They are collecting donations and financial resources from other sources and investing such amounts to establish schools, dispensary and even small infrastructure projects in the villages. Such actions have proven useful for the local villagers. French NGOs, besides getting personal donations, import Nepali produces and those are sold to generate financial resources. Particular mention could be made of the Nepali cultural festival which is being managed by Maison Culturelle du Nepal every June where French NGOs establish their stall to sell Nepali products. These are the efforts worthy of commendation. NGO has gone to a very remote village in the Dolpa district, which can be reached after hours of walk. Author was very impressed with the dedication and deep affection French NGOs harbour for Nepali rural students. In November 2010, author along with his family visited a village called Lamotheogoas. It lies in the southernmost part of France bordering Spain. It was a remote village even by French standard. Mayor Alan Scudellaro was a die-hard lover of Nepal whereas his wife Helen established an NGO Gers Himalayan Association. They were effortful to help Nepali rural students in a district in Nepal. They visit Nepal every year in April. Alan told me that they have managed to break hen and buffalo for eggs and milk to be provided to the students. Similarly, Nepal et Vous, Les enfants are also very active NGOs helping Nepali people.

French Perception of Nepal

French interest in our country is very old. At times, scholars and mountaineers have undertaken several important missions in Nepal. The efforts of those people were instrumental to introduce Nepal in France and beyond. French take Nepal as a naturally beautiful country habited by most friendly people. Our joint family system is also an attraction. France takes note of the recent political events taking place in the country. The end of the 10 years internecine armed war in 2006 was welcomed by the French which heralded a new age in the country. France always shows its readiness to help Nepal whenever there are problems both natural and others.

Nepalese Perception of France

Nepali people keep France and French people in high admiration. France is, indeed, a superb country from political, economic, social and diplomatic points of view. In the old days, people used to talk that in French are very chauvinistic people speaking only their own language. Such perception has somewhat deterred the vision of the Nepali people. However, in recent years, this wrong perception has been changing. There are many people we find who speak good English in France and they are helpful to guide the foreign visitors. Nepali people long to visit France, especially Paris, noted for its aesthetic beauty. Nepali people also cognizant of the French exquisiteness in arts and culture, literature, science and technology and aviation development.

French Understanding

France welcomed the promulgation of Constitution of Nepal on 20 September 2015. The statement issued by the French Ministry of Foreign Affairs and Development Cooperation on the same day, mentioned, “the promulgation of the Constitution is a key step toward continuing national reconciliation, restoring political stability and returning to the path of development’. As an old friend and good friend, France takes interest in the political and economic development process of Nepal. In the aftermath of the earthquake on 25 April 2015, expressed her solidarity with Nepali people and 11 rescuers along with equipment and supplies arrived in Kathmandu to help the victims.

Miscellaneous Issues

Air France, French flag-carrier helped Nepal Airlines in the early 1970s for its development. In the hotel field also, France provided several scholarships for Nepali students to study France. Similarly, several Nepali students got scholarships to study arts and culture in French cities. In the field of journalism, Agence France-Presse and the National News Agency (RSS) have co-operated and developed a strong friendship for more than 40 years. Further Radio France International is also providing musical programmes to local FM radios.

References

- BBC (2011, September 20). Retrieved July 13, 2018, from BBC: http://news.bbc.co.uk/2/hi/europe/country_profiles/3159028.stm
Adhikari, I. (2015). *Military and Democracy in Nepal*. New Delhi: Routledge.

- Aviation Nepal*. (2017, August 10). Retrieved June 6, 2018, from aviationnepal.com: <https://www.aviationnepal.com/nac-to-retain-superiority-as-it-proposes-to-add-two-more-airbus-a320-200/>
- Church in Nepal*. (2009, March 20). Retrieved July 17, 2018, from Church in Nepal: <https://www.churchinnepal.org/page/History-of-Christians-in-Nepal>
- Global Security*. (2016, August 7). Retrieved July 7, 2018, from globalsecurity.org: <https://www.globalsecurity.org/military/world/nepal/army-history-un.htm>
- Jones, W. (1966). *Journal Of The Asiatic Society 1966 Vol VIII . Journal Of The Asiatic Society*, 342.
- Ktm2day*. (2010, July 6). Retrieved July 6, 2018, from Ktm2day.com: <https://www.ktm2day.com/2010/07/06/mrp-tender-goes-to-frances-oberthur-technologies/>
- MoFA Nepal*. (2009, January 18). Retrieved March 17, 2018, from MoFA Nepal: <https://mofa.gov.np/nepal-france-relations/>
- MoFA Nepal*. (2009, March 11). Retrieved July 18, 2018, from MoFA Nepal: <https://mofa.gov.np/nepal-france-relations/>
- New Business Age*. (2013, May 15). Retrieved July 5, 2018, from newbusinessage.com: <http://www.newbusinessage.com/MagazineArticles/view/887>
- New Business Age*. (2018, August 29). Retrieved July 7, 2018, from newbusinessage.com: <http://www.newbusinessage.com/MagazineArticles/view/887>
- Republica*. (2011, March 18). Retrieved July 13, 2018, from Myrepublica.com: http://archives.myrepublica.com/portal/index.php?action=news_details&news_id=29342
- Spotlight*. (2011, August 9). Retrieved July 18, 2018, from Spotlight.com: <https://www.spotlightnepal.com/2011/08/09/nepal-france-relations-historical-perspectives/>
- Spotlight*. (2014, July 12). Retrieved July 7, 2018, from spotlight.com: <https://www.spotlightnepal.com/2014/07/13/nepal-and-france-have-a-long-lasting-and-historical-relationship/>
- Tilman, H. W. (1952). *Nepal Himalaya*. New York: The Syndics of the Cambridge University Press.
- Whelpton, J. (1983). *Jang Bahadur in Europe: the first Nepalese Mission to the West*. Kathmandu: Sahayogi Press.

Chapter 9

Assessment of Nepal-Germany Bilateral Relations

Niha Pandey

Introduction

The end of the Second World War and the emergence of the new world order changed the dynamics of the international system. The international relations dimension took a new path where the bilateral relations among states augmented tremendously. The world shifted to a new order which was headed by the United States of America, USSR, United Kingdom and other triumphant states of the Second World War. This eventually led to a paradigm shift in the entire world affairs where Germany was one of the crucial actors to influence this new world order. Subsequently, by late 1940's, the cold war began which was more of an ideological and political rivalry between the two power blocs in the east and the west. The world was divided into two power centers categorized as the capitalist bloc, directed by the United States of America and the socialist bloc, directed by the USSR. This ideological and political collision highly influenced states in every corner of the globe; especially, Germany, as the country was divided on the basis of this contesting ideological difference. Therefore, after 1945, the international dimension of post-World War II German politics' main goal was, "The integration of the emerging West German state into the West European community" (Mommssen 2007). Eventually, this stance aligned with the ideological and political values of the western hemisphere wherein, the Federal Republic of Germany was introduced. Since the end of the Second World War, Germany uplifted itself from the aftermath of the war and within a short span of time, there was a rapid rise in the economy. Currently, Germany's international position is very strong. Germany today is the

happiest Germany ever, the stable democracy, economically successful surrounded by friends and an important industry in European Union. Furthermore, Germany is the largest economy in the European Union and the fourth largest in the world making it one of the most important markets in Europe (Meyke 2014). This rise is an example for all the states globally, and is a sign of great achievement. Therefore, in international relations perspective, the blocs, east and west considered it to be sovereign and thus, conducted state-to-state relations as per their priorities and preferences.

With the basic backdrop on the systemic level of analysis during the period of 1945, the diplomatic relations among states took a new turn after the introduction of the United Nation. The states were recognized as sovereign state wherein all the states were independently entitled to their internal authority. Hence, states started expanding their relationship with other state actors. Illustrating on Nepal, the distinguishing phase of modern Nepal epoch, in relation to bilateral relations, can be traced right after the Revolution of 1950. In state level, this political revolution was one of the influential events from the point of view of foreign policy and diplomacy. Foreign Policy and Diplomacy carries an intimate relationship. Diplomacy is one of the vital instruments to carry out the functional aspect of Foreign Policy. As defined by Christopher Hill (2003), "the sum of external relations conducted by 'an independent actor' (usually a state) in international relation." This concept of Foreign Policy builds up a nexus with the concept of diplomacy which demonstrates on the external relations. Thus, this conduct of external relations can be understood as Diplomacy wherein, the practice of Bilateral Diplomatic relation gained pace right after the end of the Second World War and the inception of United Nations Organization. Prior to 1950, the diplomatic relations of Nepal was confined to the only handful of states. The 1950's democratic wave induced Nepal to further its Diplomatic relations. From an Isolationist policy to a Diversified Policy exercise, the Rana Prime Minister Mohan Shumsher, "showed a belated awareness of the Rana government's diplomatic isolation on the world scene after the withdrawal of British authority from India. To improve this situation, he proposed extending Nepal's diplomatic relations with foreign countries, including the United States, France, the Netherlands, Brazil, and Belgium" (Joshi and Rose 1966: 66). Post-1950 Nepal's diplomatic bilateral relation up surged immensely and within a span of ten years, Nepal's bilateral diplomatic ties expanded to twenty twostates (Ministry of Foreign Affairs 2016).

Nepal-Germany Bilateral Relations

The Bilateral relation between Nepal and Germany can be looked back into more than half a century which is an intensive and comprehensive relation based on mutual trust, respect and friendship. The diplomatic relations between the Kingdom of Nepal and the Federal Republic of Germany were established in 1958 (Ministry of Foreign Affairs 2016). Germany and Nepal share a vibrant relationship politically, economically and culturally. Since 1958 the relation has been developing on the basis of friendship and mutual cooperation and the relationship has evolved significantly. The Federal Republic of Germany has been maintaining an Embassy in Kathmandu since 1963 after diplomatic relations with the Kingdom of Nepal had been formally established in 1958 (Ministry of Finance 2014: 29). The bilateral relationship between both the states has been growing particularly on the areas of development cooperation, trade, culture, academia and scientific sectors. In a similar note, various exchange visits have been taking place from both Nepal as well as Germany's side. The state visits have helped to further strengthen the bilateral relations. Therefore, the visits have portrayed the highest expression of friendly relationship between both the states.

During the 1960's the political structure of Nepal was such that the diplomatic practices were designated under the dimension of Old Diplomacy. The conduct of relations was confined to the palace secretariat and the role of diplomats and ambassadors was very vital in nature. The state was the primary actor so, the conduct of relations was more of state-to-state relations. The state visits were very symbolic in nature thus, reflecting the image and significance of the relationship between both the countries. While elaborating on the state visits and the relation of diplomatic practices, basically from the period of 1960's to 1990's, the state visits held the aforementioned characteristics. Albeit various cooperation's and agreements within the span of 30 years, the official visits between Germany and Nepal played a very crucial role in firming the bilateral relation. The first official visit to Nepal by the German counterpart, President HE Heinrich Luebke took place in July 1967 (IBP 2012:112). From Nepal's side, the first official state visit to Germany was in the year 1986 by the Late Majesty King Birendra Bir Bikram Shah Dev and Queen Aishwarya Rajya Laxmi Devi Shah (Ministry of Foreign Affairs 2016). At the end of the state visit, the late King extended a formal invitation to his contemporary. Hence, his invitation was accepted by President HE Professor Dr Roman Herzog and subsequently, paid a

state visit to Nepal in the year of 1996. The state visit in the highest level was reciprocated by both the counterparts signifying a close political relation. Therefore, the visits between both the states have been taking place from prime ministers level and various ministerial levels as well. Therefore, the nature of the visits during that period of time illustrates formal relations.

As the international system assumed a new significance after the 1990's, the official visits nature and characters also changed accordingly. In international level, the third wave of globalization and democratization created a demand to change the diplomatic practices and hence, diplomatic practices under the designation of New, Public and Total Diplomacy came into prominence. Nepal vibrantly practised diplomatic activities under these dimensions mainly post 1990. The changing political structure and its correlation with the diplomatic practices resulted in such changes in Nepal's international relations practices. As stated by George Young (1921), "The public is revolting against orthodox diplomacy, much as it did against orthodox divinity and for the same reason- its failure to secure peace on earth to men of good will." This notion reflects on the significance of the introduction of new type of diplomacy wherein the old practices are to be abandoned and be replaced by what is popularly labelled as the 'New Diplomacy'. Also, diplomatic practices would have to be fundamentally changed from the ways in which nations dealt with each other earlier (Hamilton and Langhorne 2011:141). Therefore, the new diplomatic practices can be reflected under various dimensions mainly in relation to state visits dialogues. This scenario can be illustrated by the various visits conducted by both the countries. Mr Carl-Deiter Spranger, the then Minister for Economic Cooperation of Germany, paid a three day visit from 15 to 17 February 1994 (IBP 2012:113). On the backdrop of the economic liberalism since 1990, this state visit took place. Mr Spranger applauded the policies and programs of economic liberalization adopted by the Government of Nepal. The economic reform and the changing political structure were welcomed by the minister. In the recent visit, Ms Claudia Roth, Vice President of German Bundestag, paid a three- day visit to Nepal from 9-11 April 2017 (Embassy of Germany 2017). The major aim of the visit was to enhance the cooperation between the Parliament of Germany and Nepal further strengthening the Nepal-Germany bilateral relation. With the background of the political transition in Nepal as a Federal Democratic Republic country, Germany as a mature democratic country ensured closer cooperation concerning both the Parliaments.

Furthermore, during this visit, Germany's counterpart held dialogues with the human rights community and civil society emphasizing its important role in realizing the fundamental rights and promoting and protecting the human rights in recognizing the aims of peace, integrity and reconciliation process. This redirects on the notion of making the world safe for democracy and also open for public scrutiny and control. All in all, the nature of state visits reflects on its open nature further building the relationship from state relation to the fundamental non-state actors. These diplomatic conducts involve 'Multi-Level Stakeholder Diplomacy' with the involvement of public and non-governmental organizations which are the key actors in the policy-making process. As a whole, these state visits have played a crucial role in diversifying the bilateral relation. As illustrated, the major motive of the visit is to develop a diverse relation which addresses the multi-dimensional issues.

In the earlier era, the state visits were concentrated predominantly on the political and economic cooperation, however, with evolving diplomatic dimensions and introduction of new actors in the international system, the bilateral relation has shifted its attention on the non-state actors who are active stakeholders in the state affairs. Therefore, the relations have advanced to people-to-people relation and do not confine within the formal state-to-state relations parameter.

Economic and Development Cooperation

Since the founding of Germany in 1949, the country's economic policy has been hinged on the notion of social market economy. The development policy of Germany is one of the key areas of its foreign policy. The development policy of Germany is the constituent part of a global structure. This development policy is framed by the Federal Ministry for Economic Cooperation and Development (BMZ) where Germany contributes to the international community to a large extent. The development collaboration is highlighted on a holistic approach where the development activities are focused on a positive impact in terms of economic, ecological, social and political development (Ministry of Finance, 2014:28). The major thrust of Germany's engagement in development cooperation depends on the partner countries development orientation along with the prevailing conditions within the country. Henceforth, the bilateral relation between Nepal and Germany advanced substantially in the context of the economic and development cooperation. Since 1958, both the countries have had its relation

maintained incountless dimensions. The economic relation and development cooperation being one of the most significant one, the bilateral economic and development relation can be traced from the early 1960's. Right after the introduction of the new political system in Nepal in 1960, various diplomatic relations in context to economic development, trade and cultural sector expanded exponentially. In 1961, Germany proposed for a technical cooperation for the establishment of the Technical Training Institute at Thapathali, Kathmandu. Since then this technical cooperation has produced numerous skilled technicians and thus, this cooperation has created a platform for individuals who are interested in the technical sector.

Comprehending further on the economic relations, in 1964, Germany provided soft loans to the Nepal Industrial Development Cooperation (NIDC) (IBP 2012:113), portraying first economic relation with Nepal. For more than half a century, Germany has been sponsoring the development of Nepal. In the current scenario, all the German Cooperation is based on grants. The Federal Republic of Germany has actively participated in various developmental efforts. It is one of the most important bilateral donors to Nepal. Scrutinizing on the cooperation chronologically, according to Jack Ives (2004), in 1987 the Government of Nepal requested the World Bank to become the lead donor agency to ensure initiation of Arun III; Germany agreed to contribute DM 260 (equivalent to USD125.4 million) million for the feasibility and detailed engineering study thereby ensuring that a German Consultancy firm received the main design contact. Albeit the project attracted as much attention and controversy in the early 1990's, the most essential aspect was the financial contribution Germany decided upon. There were several donors but of the principal financial sources, the German aid was a complete grant. However, due to various contentious issues, the project remained a debacle. Correspondingly, Germany has supported Nepal in various fields of power generation, agriculture, town development, preservation of monuments and temples, tourism, education and culture, solid waste management and promotion of small business projects (Ministry of Foreign Affairs, 2016). The dawn of developmental cooperation since 1961, Germany has committed to various bilateral projects in the country. This commitment has built up a mutual trust and understanding between both the countries further complementing on the reliability of partnership. With political upheavals and armed conflict from the period of 1996 to 2006, Germany ensured to maintain its cooperation programs. Since 2006, the German government has

augmented its funding for development cooperation where the major objective lied on combating poverty and uplifting Nepal from the repercussion of the civil war. Following, the agreement between the Government of Nepal and Government of Germany, targeted on three major areas; First, promotion of health care systems, second, sustainable economic development and trade and lastly, renewable energies and energy efficiency (Ministry of Finance 2014:29). This assistance clearly illustrates Germany extending its hands of cooperation for the development process. Hence, Germany's foreign policy towards the developing countries like Nepal has proven itself to be one of the most dynamic members in the international system.

Further on the economic, development and trade cooperation, with the growing trade relation, an investment protection agreement was signed in 1986 and later in 1990, the Nepal-German Chamber of Commerce and Industry was founded in Kathmandu which promotes the bilateral trade relations between both the countries. Germany has been providing "Integrated Experts" to Nepal Germany Chamber of Commerce with the help of Centre of International Migration. Therefore, this has eventually supported the trade related activities. As a whole, Nepal Germany Chamber of Commerce caters mostly to fostering the economic cooperation between the industrialists and businessmen of Nepal and Germany.

Nepal-Germany Diplomatic relations cornerstone has been based on the development of local level. This development cooperation has been a mutual interest to both the countries. Nepal and Germany development cooperation are based on the requests of the Government of Nepal, where various negotiations have led to agreements for projects and programs. Basically, these projects reflect the priorities of both of countries and also Nepal's priorities outlined in National Development Plan plays a significant role. Nepal-German development cooperation has a long tradition which can be traced from the bilateral agreement for the Bhaktapur Renewal and Development project (BDP) in 1974 (Ministry of Federal Affairs and Local Development, 2015:1). The changing political structures in Nepal have brought changes in the functions of the local level bodies as well. Hence, these changes have highly influenced the development of aims and objectives. Slowly, the focus on the development shifted to urban development wherein a project was introduced as the "Urban Development through Local Efforts"(UDLE). The UDLE project was a well-known longest project

covers range of activities. The timeframe of the project was 14 years, wherein it has been one of the key pillars behind urban development in Nepal. Many sister projects fall under the UDLE project which played a crucial role in policy development, planning, participation, poverty alleviation and livelihood improvement. With Urban development projects, the Nepal- German development cooperation also focused on the rural development projects. The focus encompassed of regional development where the first cooperation project was introduced in 1967 as the Gandaki Agriculture and Livestock Development Project (Ministry of Federal Affairs and Local Development 2015:1). Therefore, Nepal-German development cooperation has a long history in the field of urban and local development.

With the changing political sphere in Nepal, the significance of local governance has intensified. The introduction of a Federal Democratic Republic of Nepal derives a decentralized system. The rationale behind federalism in Nepal can be derived on the foundation of three imperatives: first, the reflection of Nepal's ethnic, cultural and linguistic diversity. Second, inclusive and equitable development. Third, devolution of administrative and fiscal powers in the lower level (Sharma, 2015: 28). This clearly emphasizes the role of local governance as a significant aspect in the federal design. On this regards, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) since its inception in 1975 has been involved in implementing various projects on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The latest strategy being prepared, GIZ has been supporting on various local governance projects namely, Rural Community Infrastructure works (RCW), Poverty Alleviation in Selected Rural Areas (PASRA), Urban Development through Local Efforts (UDLE) and support to Civil Society Organizations (Horst 2015:7). Although few of the projects have been terminated and few have been integrated, the integration of the individual programs under Sub-National Governance Program (SUNAG) has proved to widen the programs furthering the German development cooperation with Nepal. Nonetheless, with bilateral consultations between both the parties, the priority shifted from 'Local Governance' to "Sustainable Development of the Economy and Trade" wherein SUNAG's activities were to be terminated by December 2014. Therefore, the SUNAG team designed most of the apparatus in an integrated method.

KfW, the development bank of Germany, has been providing grant to Nepal in order to facilitate the financial cooperation between both the countries primarily focusing on the health sector, energy sector and economic sector. Germany is one of the top five bilateral donors in the Nepal (Meyke 2015). All in all, besides the economic and development activities, other substantial activities in cooperation with Germany are active in Nepal.

Hence, Germany has always emerged as a munificent country to Nepal. Germany has played a very crucial role in uplifting Nepal from the quagmire of poverty. With changing political system, more cooperation in financial and donation terms were anticipated from the international community. Hence, Germany economic assistance has always been at the doorstep.

People-to-People Relations: A Cornerstone of Nepal-Germany Bilateral Relations

Due to globalization, the altering diplomatic discourse in the international system has shifted the old diplomatic relations which was confined only among the states to a completely new perspective. In the current era, the relationships among states are diverse in nature wherein more than the state-centric relation, the non-state actors' relations are prioritized. Fundamentally, the state relations are not confined only to political and economic relations but the People-to-People (P2P) engagement has expanded which is one of the major features of Bilateral Relations of 21st Century. In addition, the P2P relations are derived from the diplomatic cooperation under the dimension of Public Diplomacy. This diplomatic practice primarily emphasizes on the government involvement in promoting and participating rather than controlling the relations. During the 1800's and early 1900's, the relationship among states was based under the realist school of thought. The state's focus was primarily based on the spectrum of power politics. However, in the contemporary era, the idea of interdependence and the comparative advantage followed by people's engagement, which falls under the Liberalist school of thought, has been practised by more than half of the world. Maintaining relationship to create a cross-border network is considered vital. As stated by Mellisen (2005), "Public diplomacy is now part of the fabric of world politics." evidently exemplifying the significance of P2P relations with the changing international relations discourse. Likewise, the P2P engagement is conducted via Cultural and Exchange programs.

Since 1990 the Federal Republic Germany has been struggling with the task of defining its role in the international system. The end of the cold war shaped the political as well as economic challenge, in both states as well as international level. Economically, Germany has continuously stood out however, in the early 1990's; the role of Germany was limited in international political dimensions mainly due to its failed aspirations towards a permanent seat on the UN Security Council. All in all, in order to augment its image and role in international affairs, German Public Diplomacy has officially been described as the "third pillar" of the country's foreign policy since 1960's (Zollner 2009:262). Initially, the conceptual understanding of the Public Diplomacy was termed under the foreign policy public relations or foreign cultural policy, illustrating the people to people engagement under the diplomatic and academic circles.

In the current development, "emphasis has been on shaping and nurturing relationships among societies rather than between sovereign governments" (Hamilton and Langhorne 2011:236). The relations among states are focused on society level which can be defined on the basis of public aspects. This can be reflected between Germany and Nepal. Contemporary public diplomacy also known as the New Public Diplomacy (Melissen 2005) is based on the relational role. It highlights on establishing and fostering mutual understanding and two-way exchanges of information on the basis of soft power of a narration (Golan and Yang 2015:2). Therefore, an example can be portrayed on the emerging educational exchange program under the German's initiation of DAAD. DAAD, the German Academic Exchange Service, has been actively involved in the student exchange program all over the world and especially Nepal. Established in 1925, DAAD provides a platform for students and researchers to study on natural, social and applied science fields. Students under this initiation have undergone various researches and have been very productive and also contributed in the various sectors in Nepal. Nepal, with its limited resources, has always created a major challenge for the researchers and students. But, with the academic exchange service, the quality of the outcome has been extraordinary. Similarly, few students also opt for the Germany higher education because the chances of travel along the western European countries are feasible. Hence, this results in gaining experience on a larger scale. With this note, this relational perspective between both the countries has resulted in forming a longterm relationship and also maintaining mutually beneficial relations between both the countries.

Thus, the academic exchange scheme has encouraged the scholars and graduates to establish an Academic Associations in order to advance and encourage people for the engagement between both the countries. Henceforth, in August 1986 a group of Nepalese scholars having acquired their academic degree, undergone training and/or conducted research in various institutions of higher education in the Federal Republic of Germany, founded the Nepal German Academic Association (NEGAAS) (Beatrice 2017:229). This was an academic association with a vision to promote Nepal-Germany Academic Relation. The idea behind this non-profit organization is to enhance cooperation between the academicians of both the countries mainly in the social, science and technical fields. Various workshops, seminars and conferences are conducted in order to share mutual knowledge on the transfer and cultural exchange. Basically, the academic bilateral relation has encouraged the new generation to advance their higher education beyond the Asian periphery. Illustrating an example, one of the NEGAAS' members, Late Professor Dr Dayananda Bajracharya, a veteran researcher who was trained in Germany, contributed significantly to the field of Science and technology in Nepal. He applied his knowledge in advancing the Royal Nepal Academy of Science and Technology (RONAST) later after the end of the monarchy was renamed as "Nepal Academy of Science and Technology" (NAST). Various workshops and seminars were conducted in order to strengthen the social ties mainly among the academic sphere. Beatrice (2017) has illustrated the roles of associations and academic exchange service to revive the technical academic sector of Nepal. During 2005, on the occasion of the 100th anniversary of Einstein's Theory of Relativity, NEGAAS celebrated the Einstein Centenary- a joint initiative with the German Government, in the National Academy of Science and Technology (NAST), funded by DAAD. Therefore, this is one of the few examples on the People-to-People engagement and its role in strengthening the bilateral relation between Nepal and Germany from public diplomatic dimensions.

Apprehending further, the academic exchange programs and services emphasizes on investing in minds and showcasing Germany as a "Land of Ideas" and supporting economic and democratic reforms in developing countries through the promotion of academic and scientific advancement (Zollener 2009:266). "Land of Ideas" is also termed in the basis of patent registrations. According to patent registrations worldwide, Germany along with Japan and United States of America is one of the three most

innovative countries of the world (Meyke 2014). Education, science and research play a principal role in Germany. In the domain of globalized markets, education develops a foundation to exploit the opportunities and broaden the world-wide knowledge with the networks it has offered. Germany has become one of the preferred study destinations by foreign students. As per the report of OECD (2009), Germany is among the top education destinations. The major success of Germany's academic exchange lies on the international orientation. The internationalization of German academia appeals the young generation.

Nonetheless, it can be perceived that, in Nepal and Germany's case the establishment of public relations is in an asymmetrical manner. However, various challenges and perspectives exist and to some extent, the asymmetric public relations could be a drawback to a state. Essentially, under the P2P engagement, there is an expectation on symmetrical communication, however, in Nepal's case due to various constraints in the state level, the resources are minimal eventually resulting to such asymmetric nature. Nevertheless, Nepal's human capital acquired through international education has played a substantial role in Nepal's development. As aforementioned, Nepal's higher education system faces difficulties in terms of lacking resources and quality. The political transition and political instability have been a root cause for young people to obtain higher education abroad and thus, DAAD and the support of NEGAAS has played a crucial role in this aspect. Also, the globalization process has become a push factor for the individuals to be a part of transnational human capital. Therefore, in public relations perspective, the German Academic Exchange Service has been winning hearts and minds in Nepal and in Nepal's case, the P2P engagement has characterized strong bilateral relations.

Consequently, it needs to be understood that the people-to-people relations can enhance the effectiveness through the role of non-state actors' mainly Non-governmental Organizations (NGOS) by building a quality relationship between state and non-state actors with similar value. Since the inception of the relation between both the countries, the cooperation has diversified to various aspects. The emergence of non-state actors and its role in bilateral relations can be reflected since the cultural agreement between Nepal and Germany that was signed in 1992 (Federal Foreign Office, 2016). In recent advancement, the cooperation with the Gerda Henkel Foundation, the Federal Foreign Office in 2016 demonstrates the role of NGO in building and supporting

the sentimental values of Nepali citizens. The primary goal of the project proposed by the Gerda Henkel Foundation was to restore sites of cultural or religious significance in Kathmandu valley. Few of the sites that were damaged during the Gorkha Earthquake in 2015, are being rebuilt with the help of the Federal Foreign Office's Cultural Preservation Program. This kind of cooperation symbolically influences the citizens due to the historic significance reflecting further on their ancestral history. Tracing back, Germany's support for the preservation of the cultural heritage of Nepal began in the 1960s (Meyke 2014). The Bhaktapur Development project from 1974 to 1986 became the most significant collaboration in terms of cultural heritage. This development project led to the revival of traditional crafts and skills such as wood carvings. Following the manuscript preservation project has also been an important project to preserve the microfilms and later catalogue one hundred and eight thousand Nepalese manuscripts. Therefore, support in cultural aspect has further enhanced the people to people relation with various initiatives and financial contribution.

In the age of globalization, foreign policy is an extension of the domestic policy of a state. State, societies and economic zones have become a network forming a cobweb model and comprising an intertwined relationship with one another. The end of the east-west conflict has increased the opportunities in terms of foreign policy. Nepal's foreign policy could be prioritized on these changing dimensions as Germany has become one of the influencing states in the international system. As a whole, from half a century, Germany has become a very vibrant friend of Nepal and has maintained a cordial relationship where this mutual friendship should be strengthened and continued further.

References

1. Hill, Christopher (2003) *The changing Politics of FP*. Basingstoke: Palgrave Macmillan.
2. Mommsen, Hans (2007), "The Origins of Chancellor Democracy and the Transformation of the German Democratic Paradigm", *German Politics & Society*, 25(2): 7-18
3. Joshi, B.L., & Rose, L. E. (1966). *Democratic Innovation in Nepal: A Case Study of Political Acculturation*. Los Angeles: University of California Press
4. Matthaues, Horst (2015). *40 years of Cooperation for Urban and Rural Development*. Kathmandu: Government of Nepal, Ministry of Federal Affairs and Local Development

5. Sharma, Pitamber (2015). *Development and local governance: Nepal's experience and reflections*. Kathmandu: Government of Nepal, Ministry of Federal Affairs and Local Development
6. Knerr, Beatrice (2017). *Interational Labor Migration and Livelihood Security in Nepal: Considering the Household Level*. Kassel : Kassel university Press GmbH
7. IBP (2012). *Nepal Country Study Guide - Strategic Information and Developments*. Washington DC: Int'l Business Publications, Inc.
8. Mellisan, J. (2005). *The New Public Diplomacy*. Macmillan: Palgrave.
9. Hamilton, K., & Langhorne, R. (2011). *The Practice of Diplomacy: Its Evolution, Theory and Administration* (2nd ed.). Third Avenue, New York: Routledge
10. Zollner, Oliver. (2009). *German Public Diplomacy: The Dialogue of Culture*. Madison Avenue, New York: Routledge.
11. Young, George (1921), *Diplomacy Old and New*, London.
12. Ives, Jack. (2004). *Himalayan Perceptions: Environmental Change and the Well-Being of Mountain Peoples*. Routledge.
13. Government of Nepal (2014), *Profiles of Development Partners*, Ministry of Finance, Kathmandu.
14. Government of Nepal (2015), *Nepal-German Development Cooperation: Promotion of Local Governance and Civil Society*, Ministry of Federal Affairs and Local Development, Kathmandu.
15. Federal Government of Germany (2017), *Nepal*, Federal Foreign Office, Berlin
16. Meyke, Frank (2014), "Germany Foreign Policy and German Nepal Relation", Lecture delivered on 2014 at the Master's Program in International relations and Diplomacy, Tribhuvan University: Budhanagar, Kathmandu.
17. Government of Nepal (2016), *Nepal Germany Relations*, Ministry of Foreign Office, Kathmandu.

Chapter 10

India-Nepal Open Border: Springboard for Opportunities

Prasanta Kumar Sahu

Introduction

Borders are “the model compartment of space resulting from partitioning, diversification, and organization...endowed with two main functions: to serve on the one hand as a shelter for security and on the other hand as a springboard for opportunity” (Nicol and Minghi 2005). India and Nepal share exactly such a border where both the functions converge while shaping their relationship. The open border has proved, since long time back in history, to be a spring board of opportunities and, thus, also tries to convince that neighbouring countries usually have natural common interests and that no country can now, in this era of globalization, be absolutely isolated from its neighbour (Kolossof 2005).

India-Nepal relationship can best be defined through the open border system. In essence, the relationship between these two countries is much more than the sum of treaties and agreements concluded between them. Open border stands out as the cornerstone in widening and deepening their bonds of ties. The close proximity has been firmly founded on unrelenting commitment towards understanding of each other’s aspirations and interests. The border region of India and Nepal, characterized by easy accessibility to other regions, is an epitome of a feeling of belongingness. The India-Nepal border is an example of how geography can help in interlinking two countries. The paddy fields, sugarcane fields, orchards, industries, settlements, roads and markets stretch from one side to the other

side of the border, thereby making it difficult to recognize the border unless one follows the boundary demarcation pillars. In fact, it is said that there are houses situated on the border where one door opens towards Nepal and the other towards India (Thapliyal 1999). The overwhelming presence of people of Indian origin and the presence of Nepalese population in the Terai region contiguous to the India-Nepal border has made socio-cultural intercourse indispensable. The 1751 km long open border has, thus, not only facilitated socio-cultural exchanges that date back to centuries but have been strengthened by age old historical ties. Both the countries and their people, in the past, have been seen as inclined towards each other, owing to marriage alliances and other factors. This has benefited both the countries. Out of a total of 75 districts in Nepal, 26 districts lie along this open border as are 20 Indian districts out of which 3 belong to Uttarakhand, 7 to UP, 7 to Bihar, 1 to West Bengal and districts to Sikkim.

During the last two decades of the twentieth century, Nepal opened its Terai to the traders, farmers and workers from the plains of north India to encourage the clearing of the forest for farming. This is why no difference is found in the colour, language, values and culture among the people living across the India-Nepal border. Because of the common values, culture, way of life and the availability of market for the Nepalese timber, herbs, rice, jute and other forest products the tendency of liberalisation became stronger than building restriction along the border (Roka 2006). During the dry season, the ten yard stretch of no-man's-land between the two countries is difficult to locate in many places. In populated areas, these strips are used to winnow grain, dry clothes or tether domestic animals in daytime. On summer evenings, charpoy string-beds are laid out in this peaceable frontier to catch the breeze. Indians and Nepali relatives and neighbours warm themselves around open hearths during the winter. Elsewhere, this strip is a common grazing ground, or serves as an open toilet for people whose citizenship papers may just as easily say 'Nepal' or 'India' (Lal 2002).

India-Nepal border is special for three reasons. At first Nepal is surrounded by land at all the 3222 km of its frontier, it has no access to any ocean. This land-locked status has great impacts on Nepal's economy, as it is dependent on its neighbours for importing goods from third countries. The second is the aspect that Nepal has only

two neighbouring countries, which are the countries with the biggest population of the world, China and India. Nepal's northern Himalaya region borders on the Tibetan autonomous region of China, in the south, east and west it is surrounded by India's states of Uttarakhand, Uttar Pradesh, Bihar, West Bengal and Sikkim (from west to east). The third special aspect is the open border between Nepal and India, which allows people of both countries to cross the border without visa and to take goods for everyday usage across the border without paying customs. Besides the economic relations across the border, Nepal's and India's populations are closely linked with cultural and social ties, especially in their border areas. So, the open border gives the opportunity for people to live their social life unrestricted of the frontier.

India and Nepal have shared people to people relationship for ages owing to easy access of movement and it ultimately culminated into their approval for an open border arrangement. The Terai region of Nepal bordering India is an extension of the Indo-Gangetic plain. The geographical factors have been reinforced by religious, cultural and ethnic affinities between the inhabitants of Terai region and their counterparts across the border. The Terai region has, therefore, remained practically an expansion of the Indian society and economy through the centuries (Regmi 1984).

The contiguity of border helped the people on one side of the border make cordial relations with their counterparts on the other side. People to people interactions and contacts; slowly and slowly, brought them even closer. When health infrastructures in Nepal were not developed, a large number of people from the Terai as well as from the hills used to go to hospitals in India across the border. The relations among the border inhabitants have had been best reflected in emergency situations. Whenever they have faced shortages of food grains or of any other commodity, people from the other side of the border have met the requirements gleefully. People from both sides of the India-Nepal border have lived together, survived the vagaries of nature, and prospered by co-operating with each other. They started mixing among themselves and this further led to marriage alliances, both at the elite level as well as generally, among themselves. As a result, people from India started filling the population vacuum in Terai through continuous settlements. The Terai region practically transformed into a melting pot which saw an expansion of the Indian

society and economy, with economy being the real motivator behind day to day contacts and affairs. The British further promoted this arrangement for serving their own motives of security and access to Nepal (Rajbahak 1992).

Later, the Treaty of peace and Friendship concluded by the two countries in 1950 also reinforced the need for an open border in view of various socio-economic provisions that the Sagauli Treaty (1816) and Nepal-Britain Treaty (1923) had laid down for the people of the two countries, viz. encouraging free movement of people across the border, business and commercial interests like supply of Nepali raw materials to India and beyond. Article-VII of the treaty says: "The government of India and Nepal agree to grant, on reciprocal basis, to the nationals of one country in the territories of the other the same privileges in the matter of residence, ownership of property, participation in trade and commerce, movement and privileges of a similar nature" (Thapliyal 1999). The 1950 Treaty, thus, 'binds the two countries through socio cultural and economic linkages. Taking the open border into account, no impediment is placed on the movement of people crossing the border, availing avenues for livelihood' (Thapliyal 1998). But there was no mention of the open border between two countries. It only suggested that the border management system must be reciprocated by both the countries. What it meant was that if open or regulated system was enacted by one country, the same system should be implemented by the other on the basis of reciprocity (Shrestha 2006). The answer may be that it prevailed only on the basis of mutual understanding, good neighbourly relations, religious sentiment, the same topography, social similarities, and family relationship.

Secondly, there was a very close contact among high-ranking political leaders of both nations. While Nepalese leaders had participated actively in the independence movement of India, Indian leaders also contributed to establish democracy in Nepal. And the open border made the movement of political leaders and bureaucrats of India and Nepal easy to shuttle back and forth without any interrogation or check in the border. The third factor is the social one. Many Indians and Nepalese share matrimonial alliances and most of them reside in the frontier. As a consequence, Indian and Nepalese parents are in-laws to each other. So the border was made open socially for frequent visits to the kith and kin on either side of the

frontier. The administration did not obstruct them in practice. Thus, the open border helped in strengthening closer political and social ties between the two countries and this further showed the future course of events.

Nature of Movement across the Border

The movement of people between India and Nepal 'owes its genesis to the physical configuration of their border which does not present any natural barriers. Similarities in the socio-cultural identities of the two countries encouraged the movement of people. Demarcation of borders between the two countries did not stop the movement of population that continued due to economic exchanges and socio-cultural linkages' (Thapliyal 1999). The mutual needs of the people across the border promoted the unrestricted flow of people over the years and led to the dissemination of ideas, culture, and settlements of people in each other's territory. Religious places and institutions in both the countries have played a very crucial role in strengthening the social and cultural relations between them. Places like Puri and Rameshwaram in India and Pashupatinath Temple in Nepal have been revered by people of both the countries. The Pashupatinath temple continues to attract devotees in hordes to Nepal while Bishwanath of Benaras and Baijnath of Jharkhand are two very important shrines for Nepali Hindus (Lal 2002). Festivals and cultural practices are nearly identical in the Nepal Terai and the region to the south. This brought them closer to such an extent that they started intermingling and 'one main factor that historically contributed to the strengthening of ties has been matrimonial alliances between the royal dynasties of Nepal and their Indian counterparts, which was pursued as a matter of policy. Marriages are not just restricted to the royal houses; common people also marry across the border. Cross-border marital ties confer many advantages, including legal title to property and a greater chance of obtaining dual citizenship' (ICG 2007). Marriage across the border is so common even to this day that the Terai-centered Sadbhavana Party's lawmaker Hridayesh Tripathi justifiably points out that the relationship between the people of Bihar and UP on the one hand and terai is on the other is that of *roti-beti* - bread and bride (Lal 2002).

The border inhabitants have continued to move freely across the border. There are three types of movements from Nepal. The first is

that of people who come on a daily basis to buy goods for domestic needs. Such movement is usually confined to the border region. The second type is that of seasonal migrants, who generally travel to India to find work during agricultural off seasons. The third type of migrants moves on a long-term basis and generally settles down in India. In the second and third cases, migrants spread out both to neighbouring areas as well as further away from the border (ICG 2007). Similarly, the flow of economic migrants from India has been stimulated as a result of modernization and development in Nepal which has been generating demands for skilled and semi-skilled workers since early seventies. Indians have also gone to Nepal for teaching jobs and for setting-up small and medium sized business establishments (Baral and Muni 1996).

Opportunities across the Border

The open border has provided access to specialized and infrastructural facilities on the Indian side for the Nepalese. Even today, for health services, education, entertainment and other such facilities the Nepalese people living in the border areas like Darchula, Baitadi, Dadeldhura and Kanchanpur are extensively dependent on India, especially for health-care and education (Upreti 2009). Indian agricultural labourers also go to Nepal during the cultivation and harvesting seasons and there they are known as Dakshinaha (southerners). The bordering Indian market provides opportunities to the Nepalese for selling their products and for purchasing goods of daily necessity and luxury items, including petrol, kerosene, edible items, cloth, medicines and various other goods. In many areas people of the neighbouring Nepali region make their marriage and festive purchases from the Indian market. In this regard they take advantage of quality and lower cost. The Indian market facilitates the bordering people of Nepal in three ways: availability of goods in case of crisis on the Nepalese side, benefit of comparative prices and better market facilities for products including agricultural produce (Ibid.).

On both sides of the border in the Terai 'there are densely populated, industrialized and rich agriculture belts with important urban centres all along. This geographical situation has induced a particular pattern of relationship between India and Nepal. The open border has become a way of life for the people of the two countries. It has led to the development of a distinctive pattern of social and

economic relations between the two countries' (Upreti 2003). The open border also has important economic implications for the two countries. The rapid urbanization of the Terai region has opened up economic opportunities for the inhabitants of the border regions, as people from both the countries can cross the border and work in each other's country.

The 'pull' and 'push' factors of migration, like commonalities in physical setting, historical background, socio-cultural moorings, economic motive, repression, natural calamities and ethnicity and religion, have also been at work in India-Nepal case (Baral 1997). Lack of economic opportunities in the hilly area of Nepal, scarce arable land and population pressure worked as centrifugal and push factors in forcing the people of Nepal down from hill and settle in Darjeeling. Socio-economic condition in Nepal is bad and the Government of Nepal has been unable to provide education and health for a large part of its population. The depth of economic depression in the hill and poverty pushed Nepalese to search for new settlement (Datta 2005). Rapid growth of tea industry throughout the second half of the 19th century led to the recruitment of tea plantation workers who mostly came from Nepal. Easy crossing of border due to geographical contiguity has also acted as a pull factor for Nepalese to settle in Indian bordering states.

The open border also increases Nepal's economic dependence upon India to a considerable extent. The people of the Terai region are more dependent on the bordering Indian market and traders for their daily necessities and employment so that the economy of the Terai is viewed as an adjunct to that of India. Bhardwaj says that States in India like Uttarakhand and Uttar Pradesh clearly favour the strengthening of cross border relations and making the cross border practices easier. The respondents there acknowledge the symbiotic need of the Nepalese for continuance of the open border to sustain their economy (Bhardwaj 2009). So is also the opinion of the Nepalese counterparts whose need for the open border emanated from a lack of opportunities in Nepal. Transport problems within Nepal also made the border residents in Nepal feel closer and more dependent on India than on other areas of Nepal.

The 'haats' (weekly bazaars) that take place on both the sides of the border not only provide an opportunity to exchange goods and

commodities of daily local needs, but also act as the meeting ground for kins and relatives to refresh their mutual love and affection. The close interaction between the Madhesi culture group and their counterparts across the border in Mithila, eastern U.P. and western U.P. is indicative of a strong sense of belonging in regard to race, language, social and cultural values' (Nepali 1995). According to Dor Bahadur Bista, "for marriage and other socio-economic relations the border is ignored." Social and kinship ties are much more important to them than political boundaries" (Perry 1997).

Trade, Transit and Investment

India is the largest trading partner of Nepal. Bilateral trade between India and Nepal has increased substantially since the signing of the Trade Treaty in 1996 and received further impetus after the signing of the revised Trade treaty in 2009 which has provisions that allow Nepal greater access to the Indian market. The volume of bilateral trade between the two countries amounted to USD4.21 billion in 2010-11. In that year, Nepal's exports to India amounted to USD599.7 million, while its imports from India amounted to USD3.62 billion (Jha 2012). India accounts for nearly two-thirds of Nepal's foreign trade, 70percent of Nepal's exports, and almost half of its foreign direct investments. Similarly, both public and private sectors of India have invested in Nepal. The trade statistics reveals phenomenal increase in the volume of bilateral trade over the years between the two countries. India and Nepal have a Treaty of Trade and the Agreement of Cooperation to Control Unauthorized Trade signed on 27 October 2009, with its validity of seven years along with the provision of automatic extension for further periods of seven years at a time. India has also provided transit facility to Nepal for the third country trade. India and Nepal also have a Treaty of Transit, which has been renewed for a period of seven years until 5 January 2020 (MoFA 2013).

Despite the growing presence of security forces along both sides of India-Nepal border, unauthorized trade is common almost all through the border points, including in the Kakarbhitta, Biratnagar, Janakpur, Birgunj, Bhairahawa and Nepalgunj corridors. Often, the carriers involved in unauthorized trade load goods either on their heads or on bicycles while crossing over the border. The normal commission that the carriers get for this purpose is 10 percent of the

value of the goods. Interestingly, nearly 55 percent of the people along the Nepal-India border region conduct border trade for private consumption, 23 percent for business purposes and the remaining 14 percent for social functions (Jha 2012). About 68 percent of the border inhabitants use authorized custom checkpoints for border trade, while the remaining one-third go for trade through non-custom checkpoints. The total value of informal imports of agricultural products from India to Nepal through the India-Nepal border amounted to Rs. 55 billion in 2012. It is believed that the informal trade through the India- Nepal border is more than what takes place through formal channels (Ibid.).

Most importantly, the presence of over 361 million people in the Indian states of Sikkim, West Bengal, Bihar, Uttar Pradesh and Uttarakhand provide a wider prospect for the development of trade and industries in the Nepalese border region. The border areas of Nepal are best suited for the development of SEZs, which enhance the prospect for the export of goods from Nepal to those Indian states partly due to the proximity factor and partly due to the similarity of taste, preferences and purchasing power. There are three dry ports in Nepal's border region, including in Biratnagar, Sirsiya (Birgunj) and Bhairahawa, which facilitate trade with third countries. Birgunj dry port is connected to India through rail and it is used for direct transshipment of goods between Birgunj and Kolkata Port of India to facilitate Nepal's trade with third countries.

In October 2011, Nepal and India signed the Bilateral Investment Promotion and Protection Agreement (BIPPA) in order to promote investments from India to Nepal in such sectors as fast-track roads, railways, tourism, education, health, agriculture and other infrastructural projects. Nepal's border region could benefit if this agreement is realized (Ibid.). To give further momentum to India-Nepal Trade, Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income was also signed in Kathmandu on 27 November 2011.

Thus, economic exchange (legal and illegal) between the two countries is huge. However, in economic terms, legalising trade in essential items will help to prevent smuggling. Open markets should come up near the border where people can buy and sell goods without paying any duties.

Education

Significantly, many of the border inhabitants from Nepal cross over the border and go to India to study in different disciplines such as arts, commerce, science, law, medicine and engineering. Often, the Nepalese border inhabitants go to Siliguri, Darjeeling, Madhubani, Darbhanga, Sitamarhi, Muzaffarpur, Gorakhpur and other border towns of neighboring Indian states of Bengal, Bihar and Uttar Pradesh for study. This is so because educational institutions in India are of higher quality as compared to those in Nepal. Also, some private engineering and medical colleges opened in the border areas in Nepal admit Indian students. Interestingly, in the recent years, the flow of the Indian students in Nepal is growing for admission in such technical subjects as medicine and engineering (Jha 2010). Over the years, the medical and engineering colleges opened in the Terai such as in Nepalgunj, Birgunj, Janakpur, Bhairahawa and Dharan have been attracting many of the Indian students as some of these institutions provide qualitative education at affordable price. They find it more convenient to study in the medical and engineering colleges in the Terai because of the proximity factor and also due to their affinity to the language and culture of the region.

Health

When health infrastructures in Nepal were not developed, a large number of people from the Terai as well as from the hills used to go to hospitals in India across the border. During the last few decades, Nepal has been able to develop health facilities in the country, particularly in the Terai, with the establishment of regional, zonal and district hospitals with modern medical facilities (Ibid.). This has resulted in the large-scale flow of patients from India into these hospitals. One noteworthy development of medical facilities in the Terai has been the opening of the modern eye hospitals and ophthalmology units in zonal and regional hospitals. These facilities have resulted in the large scale inflow of eye patients from the bordering states of India because of quality and cheap services.

Often, the Nepalese border inhabitants seek health services on the Indian side of the border in border cities such as Siliguri, Darbhanga (Laheriyasarai), Sitamahri and Gorakhpur. Some Indian border inhabitants also visit the B.P. Koirala Institute of Health Sciences, Dharan to take advantage of the health treatment facilities.

Similarly, many of the patients from across the border in India visit Cancer Hospital at Bharatpur, Eye Hospital at Lahan, and medical colleges in Janakpur, Chisapani and Nepalgunj for treatment. Because of the provision of national treatment to the people of one country into the territory of the other, the border inhabitants do not need to pay extra for health services than what is paid by the locals.

Employment

Before the green revolution in India in the 1970s, many of the agricultural labourers from the bordering areas in India used to go Nepal for seasonal employment and got engaged in agricultural activities during the plantation and harvesting seasons as there was a great demand for labour in Nepal. Subsequently, because of the growing employment opportunities within India, the agricultural labourers from India stopped going to Nepal. The green revolution in certain parts of India such as in Punjab and Haryana attracted many of the Nepalese border inhabitants for seasonal employment. Additionally, the Nepalese border inhabitants also visit Delhi, Mumbai and other parts of India to seek employment. The Nepalese are allowed to work in government, semi-government and private sectors in India without any restriction. Earnings by the Nepalese border inhabitants in Indian states have helped reduce poverty at home and raise their standard of living. But there has not been any serious study to estimate the amount of remittance that is coming to the border region of Nepal from India. However, there has been a decline in the tendency of the border inhabitants to go to India because of the growing alternative opportunities of employment in Malaysia, Qatar, Saudi Arabia and other overseas countries. Many of the farmers living along the border regions buy and sell agricultural and livestock products at the border hat bazaars and other market centers in each other's territory. This has generated employment opportunities for many people in the border regions (Jha 2012).

Infrastructure and Economic Cooperation

India has been assisting towards the development of infrastructure and human resources in Nepal, with the maiden programme of cooperation launched in 1951. The Indian cooperation started in 1952 with the construction of an air-strip at Gaucharan. Such assistance received from India has helped supplement the developmental efforts of the Government of Nepal. India's economic assistance to Nepal

has grown manifold in the past few years, particularly since the restoration of multiparty democracy in Nepal. Now, with the dawn of a new era in Nepal's history, India remains steadfast in its commitment to assist Nepal's economic rehabilitation and political stabilisation.

An agreement was signed between the Government of India (GOI) and The Government of Nepal (GON) on 7 November 2003 to facilitate implementation of "Small Development Projects Scheme (SDPS)" in the sectors of education, health, and community development for a period of two years. The agreement has been renewed regularly and the last renewal was effective from 6 August 2011. The infrastructure projects include construction of four Integrated Check Posts (ICPs), including that of Raxaul-Birgunj, Jogbani-Biratnagar, Sunauli-Bhairahawa and Rupediya-Nepalgunj, for trade promotion and facilitation, 1450 kms of Terai roads, and cross-border rail links at five locations viz. Jalpaiguri-Kakarbhitta, Jogbani-Biratnagar, Jaynagar-Bardibas, Nautanwa-Bhairahawa and Nepalgunj Road- Nepalgunj. Besides, there is commitment to construct oil pipeline between Raxaul and Amlekhgunj under the joint venture between Indian Oil Corporation and Nepal Oil Corporation. In the first phase, works have been taken up in two of the four ICPs (grant assistance of NRs 4.32 billion for the segment falling in Nepal), six segments of Terai Roads Project (totalling 605 kms entailing grant assistance of NRs 11 billion) and two of the five rail connections (grant assistance of NRs 10.4 billion). Under SDPs, of the 425 projects undertaken, 218 have been completed (MEA 2012).

A transport agreement was signed between India and Nepal in 2004 for the regulation of passenger vehicular traffic through five border crossing points, including Mahendranagar, Nepalgunj, Bhairahawa, Birgunj and Kakarbhitta. In order to connect the different border districts of Nepal with Indian cities like New Delhi, Kolkata, Patna and Varanasi, a provision was made for plying 53 buses on the agreed routes from each side (Jha 2012). The nationals of India and Nepal had expected to be able to travel freely and unhindered either way on vehicles for specific purposes such as to get married, attend religious functions, go on pilgrimages and participate in study tours (*The Kathmandu Post* 2004). The agreement was expected to bring a new dimension to relations between the two countries, but that scheme hardly worked satisfactorily.

Water Resources (Power)

There is vast potential for cooperation between India and Nepal in the field of water resources. Both countries have recognized the importance of cooperation in this field and decided to inject a new dynamism by establishing a three-tier bilateral mechanism at the Ministerial (Joint Ministerial Level Commission on Water Resources- JMCWR), Secretary (Joint Committee on Water Resources- JCWR), and technical (Joint Standing Technical Committee- JSTC) levels to oversee the entire gamut of cooperation in water related issues, viz. addressing water induced problems of flood and inundation (MEA 2012). There is also an additional mechanism - Joint Committee on Inundation and Flood Management (JCIFM) - which deals explicitly with the issues of inundation, embankments and flood forecasting (MoFA 2013).

Nepal has 43,000 MWs hydro-power potential that is known to be technically feasible and economically viable. However, major projects, as for example the Pancheshwar Project on Mahakali River for integrated development of water resources, have not taken off due to considerations outside the realm of economics. Ironically, India is a net exporter of power to Nepal. Presently, Nepal is drawing 109 MW from India using various cross-border electric lines. Indian Government actively supports Nepal to meet the shortfall of power that it faces. In fact, plans are afoot to augment the supply to Nepal up to 200 MW by the end of 2013 (Ibid.).

Cross-border exchange of information, either by ground observation or satellite imagery should be recognized to create confidence. In discussions with civil society, India should say that it would welcome cooperation with Nepal in future projects. It is, however, for Nepal to determine what is of advantage to it as well as the timing (ICWA 2013).

Border Tourism

Considering the geographical proximity between India and Nepal and also the incentives given to foreign investments in Nepal, many of the Indian companies might start investing in the tourism sector in Nepal. In fact, India has already made some investment in Nepal's tourism sector by developing a circumambulation around Janakpur under the project - Greater Janakpur Development Project - which

covers historical and religious places of Dhanusha and Mahottari districts of Terai region in Nepal and of Madhubani district of Bihar in India (Jha 2010).

Security Cooperation and Border Management

India has been seeking Nepal's cooperation in managing the border through several bilateral mechanisms. However, domestic political turmoil, lack of political will and resource crunch have so far prevented Nepal from effectively cooperating with India. This situation, however, appears to be gradually changing now. Following the arrests of the two terrorists, the Nepalese security agencies had conducted a study and identified 18 types of crimes that are widespread along the India-Nepal border. They have also prepared and enforced a Cross- Border Crime Control Action Plan 2013 to curb trans-border crimes (Das 2013).

Since security related issues are primary concerns for both the countries, in order to deal jointly with each other's security concerns, the two countries have established the following mechanisms: Meeting of the Home Secretaries, Nepal-India Bilateral Consultative Group on Security Issues (NIBCGSI), Joint Working Group on Border Management (JWG) and Border District Coordination Committee (BDCC). Through these mechanisms the two countries can greatly improve information sharing and coordination amongst the security agencies (MoFA 2013). In fact, the feeling of insecurity that both the countries are grappled with can itself be utilized as a factor towards closer coordination and mutual cooperation in security related matters of the two countries.

The 1751 km open border, of which close to 1600 kms are in the open Terai, poses obvious security concerns. It would be useful if India and Nepal could draw up a charter of responsibilities for the management of the border to protect the interests of each. The two countries need to jointly patrol the border to check trans-border criminal activities, transfer of arms, human trafficking etc. Like India, Nepal also faces the problem of criminals crossing the border and taking refuge in India and this issue cannot be addressed without joint management of the border. The Home Ministries of the two countries hold regular meetings. The issue of how to devise a common approach to the management of the border can be taken up during these meeting.

Conclusion

Indeed, India-Nepal open border is a springboard for opportunities if we harness collectively the potentials and complementarities available on both sides of the border. Having said that, what needs to be emphasized is the way we perceive each other, that is to say trust deficit must be overcome by trust surplus. Political relations must not, at any point of time, affect cultural or trade relations and people-to-people contacts. Until and unless there is harmony in preaching and practice, making or executing policies won't suffice.

Any development in the border region has not only a potentiality to raise the income and standard of living of the border inhabitants but also of the people of the two countries as a whole. Hence, priority should be accorded by the planners and policy makers of the two countries to developing the border areas by exploiting the resources. India and Nepal have, undoubtedly, been 'friends in need and partners in progress' and with Nepal trying to achieve political stability, this partnership must be sustained and strengthened. As economic and physical interconnectedness increase globally, it will be only natural for India and Nepal to reinforce and expand the bridges that connect their people in all realms. Better cross-border connectivity and optimum utilization of opportunities holds the key to future prosperity of the peoples in the two countries. In conclusion, one could quote Jawaharlal Nehru, a great advocate of close India-Nepal ties, "Broadly speaking, our relations depend not really on any person's goodwill, on Nepal's goodwill; on that government or this government...They depend on geography and history, which cannot easily be done away with" (Bhasin 1970).

References

- Baral, Lok Raj (1997), "India-Nepal Migration: Solution Beyond Formalities", in Jayanta Kumar Ray (ed.), *India-Nepal Cooperation Broadening Measures*, KP Bagchi & Company: Calcutta.
- Baral, Lok Raj and S.D. Muni (eds.) (1996), *Refugees and Regional Security in South Asia*, Konark Publishers: New Delhi.
- Bhardwaj, Vinod K. (2009), "Indo- Nepal Open International Border: Challenges and Management", *Himalayan Journal of Development and Democracy*, 4 (1), 54-59.

- Bhasin, Avtar Singh (1970), *Documents of Nepal's Relations with India and China, 1949-66*, Siva Exim Pvt. Ltd: Delhi.
- Das, Pushpita (September 19, 2013), "Need to effectively manage the India-Nepal Border", *IDSA Comment*. Accessed on November 11, 2013, at http://www.idsa.in/idsacomments/ManagetheIndiaNepalBorder_pdas_190913
- Datta, Pranati (2005), "Nepali Female Migration and Trafficking", *Journal of Social Sciences*, 11 (1), 49-56.
- Indian Council of World Affairs (May 13, 2013), *Perspectives on Indo-Nepal Relations*. Accessed on November 7, 2013, at <http://www.icwa.in/pdfs/Reportbynepalcoregroup.pdf>
- Jha, Hari Bansh (2012), "Nepal's Border Relations with India and China", *Eurasia Border Review*, 4 (1), 63-75.
- (2010), *The Economy of Terai Region of Nepal: Prospects for its Sustainable Development*, Centre for Economic and Technical Studies (CETS): Lalitpur.
- Kolossov, Vladimir (2005), "Border Studies: Changing Perspectives and theoretical approaches", *Geopolitics*, 10:606-632.
- Lal, C. K. (2002), "Cultural flows across a blurred boundary", in Kanak Mani Dixit and Shastri Ramachandran (eds.), *State of Nepal*, Himal Books: Kathmandu.
- Ministry of External Affairs (February 2012), *India-Nepal Relations*. Accessed on October 24, 2013, at <http://www.mea.gov.in/Portal/ForeignRelation/Nepal-February-2012.pdf>
- Ministry of Foreign Affairs (January 2013), *Bilateral Relations (Nepal-India)*. Accessed on October 28, 2013, at <http://www.mofa.gov.np/en/nepal-india-relations-100.html>
- Nepal's Troubled Terai Region, Asia Report No. 136, *International Crisis Group*, July 9, 2007.
- Nepali, Gopal Singh (1995), "Nepal-India Border Social Relations", in Hari Bansh Jha (ed.), *Nepal-India Border Relations*, Centre for Economic and Technical Studies (CETS), Modern Printing Press: Kathmandu.
- Nicol, Heather N. & Julian Minghi (2005), "The Continuing Relevance of Borders in Contemporary Contexts", *Geopolitics*, 10 (4), 680-87.
- Perry, Cindy L. (1997), *Nepali Around the World*, Ekta Books: Kathmandu.
- Rajbahak, Ram Prasad (1992), *Nepal- India Open Border: A Bond of Shared Aspirations*, Lancers Publishers Pvt. Ltd: New Delhi.
- Regmi, M.C. (1984), *The State and Economic Surplus: Production, Trade and Resource- Mobilisation in Early Nineteenth Century*, Varanasi.
- Roka, Hari (2006), "Nepal-India Border Regulation in the Context of Present Conflict", in Shiva K Dhungana (ed.), *The Maoist Insurgency and Nepal-India Relations*, Friends For Peace: Kathmandu.

- Shrestha, Buddhi N. (2006), "Insecure Border Management of Nepal"; paper presented at the 7th International Conference of the International Boundaries Research Unit (IBRU), University of Durham, UK.
- Thapliyal, Sangeeta (1998), *Mutual Security: The Case of India and Nepal*, Lancers Publishers: New Delhi.
- (1999), "Movement of Population Between India and Nepal: Emerging Challenges", *Strategic Analysis*, 23 (5), 777-89.
- The Kathmandu Post*, February 26, 2004.
- Upreti, B.C. (2003), "India-Nepal Relations: Dynamics, Issues and Problems", *South Asian Survey*, 10 (2), 257-74.
- (2009), "The India- Nepal Open Border: Nature, Issues and Problems", in K. Warikoo (ed.), *Himalayan Frontiers of India- Historical, Geo-Political and Strategic Perspectives*, Routledge: London.

Chapter 11

Nepal's Relations with European Union: The Way Ahead

Shikha Gautam

Nepal is a budding democracy in South Asian continent. It has recognized democratic norms through the mass uprising in 2006 against the decade long monarchical rule. This transition challenged Nepal's existing political, economic and social order as it demanded robust changes in accordance with democratic norms. With the target to achieve lasting peace, the country needs a robust democratic system of good governance and a sustainable economic development strategy based on comprehensive and inclusive framework and dialogue. On the economic front, Nepal has to adjust in the post- MFA (Multi- Fibre Arrangement) period, to India's new trade policies and WTO obligations. All this demands to implement a reform policy in a vigorous manner in order to improve its competitiveness and investment opportunities.

To achieve the targets of robust democracy, European Union is providing assistance to Nepal through various cooperation agreements. Many European Union states are long standing development partners with Nepal. But diplomatic relations between European Union and Nepal goes back to 1975 and European Commission became the multilateral donor in 1992 followed by the European Commission- Nepal cooperation agreement in 1996, which states 'Respect for human rights and democratic principle is the basis for co- operation'. With the opening the Delegation of European Commission office in Kathmandu in 2002, the EC has actively promoted democracy in Nepal (Hachhethu 2009).

The European Union, unlike other western actors feels its responsibility to transform the fledgling democracy into a stable one

by transforming the socio- economic fabric. The EU policy towards Nepal seems positive and moderate. Further there are various trajectories in Nepal and EU relation due to changing domestic and global environment and these shifts could be seen in the European support of democracy and development in Nepal as well (Shrestha 2006).

The Framework of Nepal-EU Relations

The framework of Nepal- EU relations framed by Article 177 of the Consolidated Treaty Establishing European Union which came into existence for the promotion of smooth and gradual integration of developing countries into the global economy to fight against poverty and to accelerate social development as well. The community development policy also formed to contribute the general objectives of development and consolidation of democracy, rule of law, protection of human rights and fundamental freedom. Further in Article 179 of the same treaty a new mechanism Development Cooperation Instrument (DCI) was adopted in December 2006. Under this article, Nepal was eligible to participate in the programs financed under regulation no. 1905/2006 of European Parliament (EP) and it established a financial instrument for development cooperation (Country Strategy Paper 2007-13).

With these objectives, EU and Nepal have set their strategic goals for cooperation. In European Community's Development Policy 2000, the European community recalled its targets for development policy with an increased emphasis on social sectors (health, education) and its equitable access. In 2005, the cooperation strategy took a step towards speeding up the progress to achieve the Millennium Development Goals (MDG's) through an attempt to increase the gross national income by 0.7 percent, speeding up reforms and aid and by re- evaluating the role of EU on the development conditions. As the strategy of 2005 aiming for the speedy fulfillment of MDGs, the cooperation mainly focused on social, economic and environment sector of Nepal (ibid).

The present strategy marked a period of 2014-2020 with having a vision of transforming Nepal in a more prosperous democratic country with better prospects of education, sustainable rural development and governance. The recent earthquakes has turned out as reminder that disasters caused by nature are threat and hurdle in achieving

these goals but with the help of government, private sector and youth organizations, Nepal has made it possible to overcome it and now the disaster management has become a significant area of the cooperation.

In this sequence, it is important to understand the cooperation and trace the development to analyze the trajectories of Nepal-EU relations. For this we can broadly divide the strategic partnership into three consequent phases: 1) the period of political turmoil 2) turning towards democracy 3) development through democracy.

The Period of Political Turmoil (2002-2006)

In this period, the allocation of aid to Nepal is amounted Euro 70 million. It was further designated Euro 56 million for poverty reduction, Euro 10 million for democracy program, Euro 4 million for integration into the international economy. In this period, the focus was on the sustainable rural development and promotion of good governance which was later cancelled by the mutual agreement with Nepal. The concept of conflict mitigation was become central to the initiatives of EU due to complex socioeconomic matrix of Nepal which led to unemployment, poverty, political instability and insurgencies. The shift in EU strategy from democracy promotion through economic assistance to conflict mitigation was to minimize the impact of the armed insurgencies as an estimated 14,000 people were killed during the Maoist insurgencies in the period of 1996-2005 and several thousand became the victim of it as well (Nepal: CSP 2007-13).

Along with that, EU interest in Nepal's domestic affairs intensified in the period of 2005 when royal coup by King Gyanendra in February 2005. The EU has suspended the assistance and development programs to pressure the King for restoration of democracy in Nepal. They also joined hands with India and other donors to support the mainstream parties and CPN-M, to launch a mass movement to reinstate democracy.

After the restoration of peace, Government of Nepal (GON) introduced three years interim plan (2008-2010) with EU and its other development partners, which prioritize itself under three sections: 1) infrastructure sector, 2) economic sector, 3) social sector. The overall objective of EU cooperation in this period is poverty reduction

through the promotion of sustainable development and economic growth with the special attention to social inclusiveness and environment. Furthermore, EU has emphasized on other aspects such as promotion of education by improving quality of education and school management. Along with that it has involved in the improvement of rural income and country's institutional capacity for sustainable development. EU has provided assistance to Nepal in the area of trade and export in order to enhance the trade and investment and help to participate in the multilateral trading system and the global economy. It also focuses on the minority and refugees in Nepal such as Bhutanese refugees currently living in camps in Nepal (ibid).

Turning Towards Democracy (2007-2013)

In the continuing process the EU-Nepal relations took a shift and in the period of 2007-13, it widened the area of cooperation and assistance as in this period itself Nepal has adopted the democratic principle in a more robust manner and progressively stepped towards achieving those principles. In the consequent phase of EU-Nepal cooperation, the focus was laid on two key areas: education and peace building along with consolidation of democracy in Nepal, which is an integral part of their relations. EU has initiated two way policies to execute the democratic transition in Nepal which could be seen as: a) rebuild in the overall political structure of Nepal to create a democratically inclusive system and b) reform in the capacity building process through education and better economic facilitation. An allocation of Euro113 million has been invested to reach towards these goals (EEAS 2016).

Rebuilding of political structure through democracy promotion in Nepal

The EU has constructively intervened in the process of democratic reforms in Nepal since 2008 as the attributes of democratic constitution: federalism, republicanism, secularism and inclusive democracy have no historical roots in Nepalese politics. Thus, it is very important to support and rebuild the political system as priority area in Nepal. The 2008 elections have provided an assembly but the fundamental questions were unresolved by that time such as the nature of government (parliamentary or presidential), electoral system (first past the post or proportional representative), criteria of federal

units, consolidation of PLA (either in army or in other sectors). Along with that Nepal also has the challenge to create an inclusive democratic environment as it is home of 101 caste and ethnic groups which can be broadly categorized in four groups: a) high caste Brahmins b) janajatis c) madhesis d) dalits, where the Brahmins were the dominant one. But as the political structure was reformed it is important include all of them into the fold to create a democratic state in true sense (Hathechhu 2009).

Reform in the capacity building process through education and economic facilitation

The capacity building program is an integral part of Nepal's democratic reforms and initiated by EU which has many aspects such as education, peace building and economic facilitation. The ultimate goal of these reform projects is to strengthen developmental policies so that it can overcome the political, economic and social disparities to avoid conflicts.

While opening up to the initiative focus, we can find that reform in education sector is a continuation of EU support. It is estimated that almost 60 percent of EU support is allocated to education and the goals are to achieve improving enrolments and inclusion, better access of education especially to girls and disadvantage communities, proper recruitment of teacher and an active private sector investment in schools. The bottom line is to create a development approach through education which provides social inclusiveness, harmony and management of human resources for sustainable economic development (EEAS 2016).

The peace building process is the second focus point of EU-Nepal development cooperation and 30 percent of EU support allocated to it. EU welcomes Nepal on the democratic path and formation of interim government and it ensures the availability of all the services in best possible manner through appropriate financial assistance. It also encouraged dialogue and co operation with the stakeholders for better supply and accessibility services, accountability and transparency. Thus, EU focused on best practices on governance, development and decentralization to address poverty, inequality, gender issues and institutional reforms (Nepal: Country Strategy Paper 2007).

The third focus point was economic facilitation and capacity building through foreign investment in the area of comparative

advantage. It encouraged the government of Nepal to create a positive environment for the establishment of private sectors. Nepal has a narrow export area with limited country focus and to foster the export base, GON is promoting a sustainable export strategy in conjunction with the private sector (ibid.).

The European Initiative for Democracy and Human Rights (EIDHR) has also initiated cooperation by providing funds for the awareness campaign and conflict mediation in this period. It has allocated Euro5.1 million for 35 projects in various areas such as dalit awareness and empowerment, human rights, conflict transformation, inclusion of indigenous people and Madhesi, empowerment of women and others. "The EIDHR supports objectives such as conflict dialogue, freedom of expression, strengthening of human rights organization and the rule of law" (Nepal: Country Strategy Paper 2003).

Development Through Democracy (2014-2020)

A Joint Program (JP) is initiated during this period where an investment of Euro 360 million has been done which is thrice in comparison to 2007-13 investments. The program aims to enhance cooperation to reduce complexities and to increase the impact of leverages of development to the wider society. The EU is playing an important role to build a strong country led ownership and for that, it is cooperating with various national and international development partners such as Local Development Partners Meeting (LDM), The International Development Partners Group (IDPG) and Nepal Portfolio Performance Review (NPPR). Further in this period EU and Nepal has primarily focused on three aspects: sustainable rural development, strengthening and decentralization of democracy and education (EU-Nepal Joint Press Statement 2014).

Fig. 1 Allocation of investment in 2014-20

<i>Sector</i>	<i>Indicative Allocation (in Euro million)</i>	<i>% Financial Envelop</i>
Sustainable Rural Development	146	40.5%
Education	136.4	38%
Strengthening Democracy & Decentralization	74	20.5%
Support Measures	3.6	1%
Total	360	

Source: EU- Nepal Joint Press Statement, Kathmandu, 2014

Progress in Democracy

Due to the recent transition to democracy, Nepal has seen transformations in its politics, society and economy. Political relations between Nepal and EU have played a vital role in this transition and the commitment of Nepal to take a shift from monarchy to democracy and its partnership with EU help them to reach on a common consensus such as peace and stability, development, human rights and trade made the progress possible. Political relations are further strengthened through the regular visits of EU parliamentarians to Nepal and exchange of visits of high ranking officials between Nepal and EU headquarters. Following the 2006 peace agreement, two constituent assembly elections have been taken place in 2008 and 2013. EU Election Observation Mission observed both of the election to ensure free, fair and impartial election during the time of transition. The Multi-Annual Indicative Program 2014-2020 (MIP) guides the development assistance of EU to Nepal (Nepal and the EU, European External Action Service 2016).

Trade Facilitation and Investment

Trade and investments are the important indicatives of development. Being a least developed country (LDC), Nepal has the privileges and benefits of special arrangements initiated by EU in 2001 which is known as Everything But Arms (EBA). It provides favorable trade regime to Nepal by granting duty free access to the imports of all products from Nepal. In 2015, the amounted trade between Nepal-EU was Euro 370 million, of which Nepalese export to Europe were worth Euro 99 million and imports worth Euro 272 million. Thus EU is the third major trade partner with Nepal, second major export and third major import partner. The EU imports textiles and clothing mainly from Nepal and exports, heavy machinery, transport equipments, chemicals, agricultural products and other manufactures (ibid).

The European Union has been supporting Nepal to integrate into the international economy to establish an environment favorable for the private sector and to foster the competitiveness. It has allocated Euro 2 million through WTO assistance to tackle the issue of Sanitary and Phytosanitary Standards (SPS) and to combat with the technical barriers to trade and to enhance the awareness among businessmen,

government officials about the implications of WTO agreement and to assist in capacity building to address the issues that might arise through this participation (Teerink 2015).

Sustainable Rural Development

Sustainable rural development is one of the major focus areas in Nepal for the period of 2014-2020. An estimated Euro146 million was proposed to invest in the program of agriculture, food security and other rural development. This multiannual program has targeted the areas of boost in agricultural production, job creation, and market access infrastructural developments in rural areas. There are two documents have been planned to guide this cooperation: the Multi sector Nutrition Plan (MSNP) and Agricultural Development Strategy 2015-2035 (ADS). Nutrition is a matter beyond food and calories but it is about more productive and resilient future citizens which are the key for development. In the strategy of agricultural development, the government is closely working with its global development partners and other stakeholders. A support by EU Euro22.6 million) and UNICEF aims to strengthen the government through co-ordination and supervision. Also an initiation towards creating employment and income in rural areas was done through the economic and trade cooperation of Euro6 million with the aims to generate employment and economic growth and enhancing production standards (ibid).

Education and Exchange Program

Education is always an important aspect of Nepal-EU relations. EU has invested more than Euro 100 million on education itself and in this consecutive phase of seven years, Euro136 million has allocated. During this phase they have concentrated both on district level and higher level education. Along with that, the recent earthquakes have shattered the education system of Nepal so the post disaster policy has focused on quick reconstruction of educational infrastructure on large scale. Also temporary learning spaces have brought up to bridge the gaps.

On district level, education is being reformed through Voluntary Services Overseas (VSO) which supported the district education office by providing educational and management experts to support school improvement. With the support of EU and VSO they managed to

increase the capabilities of district education. Along with that they ensured quality education to girls, dalits, marginalized groups and differently able children. Educators were also trained to provide children friendly quality education. They have also comes up with various policy initiatives such as School Sector Reform Programme (SSRP) to create capacity building environment towards inclusive and efficient education system. With a global collaborative initiative for education called Global Partnership for Education (GPE) EU is focusing on poorest and marginalized children and their education. On higher level, Nepal is eligible for Erasmus for all, the EU's initiative for quality higher education exchange programme. In the year of 2015, 26 Nepali students have got the chance to enroll themselves to Joint Masters and Joint Doctorates programmes in different institutions in EU's member states. This initiative helps to broaden the perspective of knowledge and also deepens the friendship and mutual trust between two cultures (ibid).

Other Areas of Cooperation

There are other areas of cooperation which are becoming relevant in the present scenario and the partnership between Nepal and EU has trying to cover all the important emerging issues which plays an important role to fulfill the norms of democracy such as gender, development of civil society, environment, human rights and migration.

When it comes to gender, women are comprise half of the Nepali population and they are also plays a participatory role in the development of Nepal. But it is often seen that they are also the disadvantaged one as they do not get equal chances of development. Thus gender is placed as an important aspect for the political dialogue between Nepal-EU relations and financial targeted actions are initiated to help them (Nepal: Country Strategy for Development Cooperation 2016-19).

With the challenges of climate change, it has become important for countries to construct policies that are favourable to the environment. The focus of Nepal-EU relations is to maintain the climatic balance through sustainable rural development. Working with its partners such as UNDP, DFID EU supports Nepal with Euro 7.6 million aid for Nepal Climate Change Support Programme (NCCSP).

Mainstreaming climate change actions in the sectors of agriculture, water, energy, forestry etc is a key to enhance resilience (EEAS 2016).

The period of transition and change towards constitutional development has a human rights dimension as well and it provides an opportunity to create spaces for the marginalized sections in Nepal. The EU is highly engaged with Nepal to create human rights dialogue and the crucial role of civil society in it. The European Instrument for Democracy and Human Rights (EIDHR) is working in this area since 2003 and provided funds for more than 90 projects. The goal of EU in Nepal is to eliminate discriminatory practices i.e. Caste and gender based discrimination such as the Chaupadi practice among women along with discrimination towards people with different needs. The emphasis is given on supporting the human rights defenders and to create integrity and accountability to ensure better public delivery (Teerink 2015).

The presence of civil society organizations is very important for the vibrant democracy. The contribution of civil society could be seen in providing policy dialogue; give grass root level feedback and can complement the provision of basic services. The EU is working on different levels with the civil societies. The aim of EU is to work with the CSO in Nepal and providing grants for different projects to strengthen their capacity. Further the aim is to establish a connection with the local level civil societies. By establishing dialogue on different levels and sectors, the reliability of cooperation with the civil society will improve and it promotes better coordination within the development partners and other actors (European Union Report 2016).

Migration could be seen as a major challenge and also an opportunity for Nepal's development. The EU-Nepal cooperation is focused on the issues related to 2 million people living and working abroad and emphasizing on their role in poverty reduction and development. The focus is mainly on the better use of remittances which is amounted 28 percent of the GDP in 2013- 14. Also they are looking into the productive reintegration of the Nepali migrants in the job market once they are back (Teerink 2015).

Finally, Nepal-EU cooperation has been featured in the humanitarian support action where EU has funded Euro 80 million and it also has a dedicated office, the Commission Directorate General

for Humanitarian Aid or ECHO. During Nepal's internal conflict, EU has supported 35 million thousands of conflict affected people, especially in rural areas by providing them health care, water and sanitation facilities as well. ECHO has also provided huge support during the 2015 earthquakes in Nepal by releasing Euro 6 million of aid. Within the few hours of earthquake, EU has provided assistance and aid through the civil protection experts. In the post disaster phase, EU has participated in Post Disaster Needs Assessment (PDNA). This makes EU a major stake holder in the post disaster period in Nepal (European Commission 2016).

Conclusion

The European Union has shown interest in the democratic development of Nepal from its beginning to the recent successful people's movement. It has also shown interest to create dialogue with the current political leadership in Nepal. Nepal- EU relations could be seen as a step towards the promotion of democratic ideals through shared initiatives. The EU has been assisting Nepal with developmental aids and facilities and Nepal has the responsibility to enhance the trading capabilities along with the employment of appropriate strategies that are supported and sustained by consistent diplomatic efforts.

References

- EU- Nepal Joint Press Statement (2014), *Ministry of Finance, Government of Nepal*.
- European Commission (2016), *Additional EU Humanitarian Support to Nepal, European Civil Protection and Humanitarian Aid Operations, Brussels*.
- European External Action Service (2016), *Nepal and the EU, Brussels*.
- European Union (2016), *Nepal: EU Country Roadmap for engagement with Civil Society 2016- 2020*.
- Hachhethu, Krishna (2009), *The European Union's Role in Democracy Building in Nepal*, International Institute for Democracy and Electoral Assistance 2009, Stalkholm.
- Nepal: Country Strategy for Development Co- operation, 2016-19, *Ministry of Foreign Affairs*.
- Nepal: Country Strategy Paper 2007- 2013, *Ministry of Foreign Affairs*.
- Shrestha, Madhav (2006), *Relations with EU: Nepal should learn to Maximize Benefits, The Himalayan, 25 July 2006*.
- Teerink, Rensje H.E. (2015), *EU and Nepal Co- Operation: Partnership, Co- operation, Development, Delegation of European Union to Nepal*.

Index

A

Academic Exchange Service 160
Ambassadors 144
ASEAN countrie 26
Asian crisis 59
Australia 23

B

Beijing 103
Bhaba Scheme 10
Bilateral relations 2
Border Tourism 177
Britain 56
British and Nepali interests 124
British Raj 113
Buddhism 86
Budget Expenditure 85

C

China 43
China and India 28
China Sea 21
China's foreign aid policy 80
Chinese engagement 12
Chinese Government 71
Chinese invasion 36
Chinese journalist 40
Chou Enlai 38
Civil society 63
Climate Change 142

D

Democratic reforms 60
Demonstrative 29
Department of Foreign Affairs 21
Detached Relations 40
Diplomacy 152
Dynamics of Nepal-India Relations
1

E

Economic Cooperation 4
Economic growth 22
Education Cooperation 9
Eighth Five Year Plan 61
Europe 22
European and American lobby 35

F

Federal Republic of Germany 153
Foreign ministry 42
Foreign Policy and Diplomacy 152
Foreign powers 44
France bordering Spain 148
French economic interests 140
French universities 143
Frenchman 132
Friendship Treaty 107
Fruitful 2
Fundamental problems 53

G

German politics 151
 Germany 155
 Global Economy 139
 Governance and human rights 24
 Gurkha soldiers 112
 Gurkhas 123

H

Himalayan chains 129
 Himalayas 146
 Holy See, 128
 Huang Youyi 48
 Hydro-electric projects 96
 Hydro-electricity 6, 77
 Hydro-power 6

I

India and China 25
 India and Nepal 165
 Indian bordering states 171
 Indian Cultural Centre 11
 Indian economic dominance 99
 International Crisis Group 73
 International military 52
 Investment and Tourism 136

K

Kathmandu 20, 94
 King Birendra 39
 King Mahendra 38

L

Lord Hastings 36

M

Maoist rebel 116
 Maoists expressed 64
 Maratha 114
 Mongolia 37

Myanmar 98

N

National Election Commission 65
 National interest 72
 Neoliberalism 58
 Nepal 1
 Nepal Airlines 137
 Nepal Army 7
 Nepal policy 35
 Nepal relations 35
 Nepal-Australia relationship 31
 Nepal-China Development Partnership 76
 Nepal-EU Relations 183
 Nepal-Germany Diplomatic relations 157
 Nepal-India Bilateral Consultative Group 178
 Nepalese economy 36
 Nepali hinterland 117
 Nepali people 37
 Nepal's development 41
 Nepal's geostrategic location 45
 New Diplomacy 154
 No-man's-land 166

P

Panchayat 39
 People-to-people 46
 Political Turmoil 184
 Power Cooperation 8
 Predominantly 19
 Presidential 135
 Promotional Programs 145

Q

Qinghai-Tibet 74
 Qinghai-Tibet Railway 14

S

Seasonal migrants 170
Security 25
Sikh kings 114
Silk Road 97
Social relation 122
Soviet Union 22
Strength of geography 3
Supply and sanitation 118
Surya Bahadur Thapa 40
Sustainable Rural Development
189

T

Terai 174
Tibet for Nepalese 89

Traditional military 8
Trans-Himalayan 94

U

United States 51
US - Nepal relations 66

W

Water Cooperation 5
West Bengal State 101

X

Xinjiang-Tibet highway 94

Z

Zhou Enlai 38