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## Dynamics of India-Nepal Relations with reference to China Factor

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### Abstract

India and Nepal are two neighboring countries, located in South Asian region. In the wake of central geographical location in the South Asia, previously India was the only player, who was enjoying privileges in the whole region. A friendship treaty was signed between the both in 1950, imposed restriction on latter in defence sector. This treaty laid some provisions, according to which Kathmandu could not purchase any kind of weaponry and ammunition from any third party. Nepal as a buffer state between two Asian giants India and China shares common social, cultural similarities, which is casting shadow on relationship of both. India and Nepal signed friendship treaty in 1950 and diplomatic relations between China and Nepal were underlie in 1955. First, China resolved border issue with Nepal in 1960 so that neutrality of latter can be ensured on any lateral conflict with India and Tibet. Hence, construction of a road from Tibet to Nepal is another major step taken by China, which effected balance of power in Himalayan region in favor of China. China has become major source of foreign direct investment for Nepal and Chinese investment reached to 174 million US dollars in 2013-14 in Nepal. Both India and China are providing huge amount of money in the form of economic as well as military aid to Nepal in order to enhance their leverage in the country. Nepal is a country located in the Himalayas, which now providing inroads to



China to enter in the South Asia, which is a serious cause of concern for India from strategic point of view.

**Key Words:** India, Nepal, China, relations

## Introduction

India occupies focal point in the South Asian region and shares borders with major players of the sub-region like Nepal, Bhutan, Pakistan, and Bangladesh. No other country of the region enjoys this exclusive vantage than India. This exceptional geographic location of India, provides it distinguished role in land connectivity as well as integration of the sub region. (Ghaisy 2021).

Nepal is an important Country of South Asian region in the foothills of Himalayas. In the wake of central geographical location, previously, India was the only player, who was enjoying privileges in the whole South Asia and Nepal as well. It had significant efficacy in the internal as well external affairs of Nepal. Britishers ruled over Indian sub-continent for years, which has impact in determining Indian relations with neighbouring countries of it. Relations of imperial India with these countries still casting shadow on their mutual relationships. During the British rule Nepali People enjoyed open access to India to work and travel throughout India, which is still continue. (Bhatnagan & Shahab 2021)

A friendship treaty was signed between India and Nepal in 1950, which imposed restrictions on latter in defence sector. This treaty described some provisions, according which Kathmandu could not purchase any kind of weaponry and ammunition from any third party without previous permission of New Delhi, this provided an upper hand to India in external affairs of Nepal. But in 1955 Nepal and China fastened themselves diplomatically, following the efforts made by king Mahendra. China did not pay much attention towards South Asian Countries including Nepal till 1950 or annexation of Tibet as well. After amalgamation of Tibet by China as autonomous region, it started to concentrate on Nepal to enhance its leverage in the latter. In order to increase its influence, China introduced huge amount of money as economic aid to Nepal. (Chand & Danner2016).



The treaty of 1950 is foundation of India-Nepal relationship which permit uninterrupted flow of assets and people to each other. As the result of this treaty lot of Nepali people not only are serving in Indian army but also living and working in different fields in India. Approximately 8,67000 Nepali people were working in India as per the report published by world Bank in 2009. A huge amount of money is sent back to their native land by these foreigners. According to a world Bank report of 2018, worth of 1.8 billion American dollars obtained by Nepal from these workers. Additionally, Nepal receives 1000 crore Indian rupees per years as wages for serving to Indian army by Nepali soldiers. In fact, New Delhi has been enjoying some political privileges in determining internal as well as external affairs of Kathmandu for years. Nepal for its trade with outside world and economic sustainability is mostly dependent on its port having neighbors like India. For instance, New Delhi imposed an economic blockade on Kathmandu in 1989 and consequently Nepali's economy glided to 1.5% from expecting growth rate of 5% during years of 1989-90. (Bhatnagar & Shahab 2021)

## **China factor and India-Nepal Relationship**

Nepal occupies an important place in the foreign outlook of India and China due to its geostrategic location. It is in Southern side of China and Northern side of India and play role of a buffer state between two Asian giants. In mid of 20<sup>th</sup> century India and China two neighboring countries, started to increase their influence in surrounding countries which placed Nepal in a very tumultuous condition. India and Nepal share common social-cultural similarities, which cast shadow on relationship of both. India and Nepal signed friendship treaty in 1950 and diplomatic relations between China and Nepal were underlie in 1955. Moreover, warm relationship was established between Beijing and Kathmandu which led huge Chinese financial and technical aid to Nepal. After annexation of Tibet China needed a powerful Nepal to suppress Tibetan revolutionaries who took shelter in latter in 1960. First, China resolved border issue with Nepal immediately in March 1960, so that neutrality of latter can be ensured on any lateral conflict with India, on Tibetan issue. Another massive work initiated by China is Construction of a road from Tibet to Nepal. These two Major steps taken by China, effected balance of power in Himalayan region in favour of China (Chand & Danner 2016).



Nepali King Mahendra also wants to overcome countries over dependence on India and started to tilting towards China in this respect. In order to reduce Indian leverage in the Country, Kathmandu improved diplomatic relations with Beijing along with depriving alien's rights to buy property in Nepal. India was also asked to check its military activities from country. King Mahendra was extreme opponent of Nepali Congress backed by India and abolished it in 1960s. In 1970s king Birendra demanded status "Zone of peace" for Nepal to avoid excessive in influence of India in its internal and external affairs. Nepal also started importing military equipments from China, which compel India to impose an economic blockade on Nepal. Consequently, Nepali People had to face difficulties to fulfill their daily needs due to the shortage of essential things to survive. This resulted in an anti-wave against king Birendra in Nepal and paved a way to establish popular government in Kathmandu. Moreover, this blockade proved Indian supremacy over Nepal as a coastal neighbour (Bhatnagar & Shahab 2021).

Demanding Nepal as "Zone of Peace" and importing arms from China irritated India and pushed India-Nepal relation in worsen situation than ever in history. In 1990s relationship between New Delhi and Kathmandu Started coming back on track, when an elected government was established in latter under the leadership of Girija Prasad Koirala. New Delhi removed all economic sanctions which were imposed in late 1980s on Kathmandu in response to irritating actions of Nepali Monarch. Nepali government also reverse its proposal of "Zone of Peace" for Nepal and importing arms from China. (Siddiqui 2011).

Nepali King again got power after a long struggle of all political parties of Nepal, king handed over political power to a popular political regime called democracy. General election held in April 2008 in which Maoist emerged as major political party. This was a big change in Nepalese history and major apprehension for New Delhi. This political transformation in favour of Maoist provided a chance to China to establish comprehensive economic and strategic relations with Kathmandu. Nepal started to play Chinese card against India in economic and security sector, where latter had been enjoying a dominating position for a long time. New regime of Nepal demanded to reshape age old friendship treaty of 1950 to mitigate Indian influence in her internal and external affairs. (Jain, 2011)



## China's assistance to Nepal

After being Nepal a republic in 2008, China approached to ruling parties of former and continued its economic and technical aid to Nepal. During this time, China witnessed a widespread riot throughout the Tibetan region, which registered its influence in Nepal also. Approximately 20,000 Tibetan refugees had been reported, inhabiting in Nepal then, which were enough or capable to influence Nepali regime. Chinese policy towards Nepal also revolves around the Tibet issue due to its social and cultural similarities with former. After the riots of 2008 in Tibet, China increased its involvement in Nepali affairs via huge economic and technical aid to latter. In, fact, sleazy economic conditions of economy provide opportunity to China to increase its leverage in Kathmandu, moreover now it is playing important role in improving capabilities of security forces of Nepal. China has been investing huge amount of money in Nepal for a long time. Beijing invested worth 1.68 million dollars in 2004 and 1.35 million dollars in 2005. Moreover, China provided 3,20,000 dollars, 9,90,000 dollars, along with 1000 dollars in 2006, 2007, 2008 respectively for infrastructural development of Nepal. Henceforward, 1.18 million U.S. dollars received by Kathmandu from Beijing in 2009 as economic aid to fulfill its financial needs. China has also become a major source of foreign direct investment for Nepal. Chinese investment reached to 14.13 million US dollars in 2009 and 15.95 million dollars in 2005. Multinational companies of China also investing millions of dollars in different projects of Nepal. In June 2010, Nepal received 100 million US dollars from Chinese Geghouba to boost its hydro city projects and in 2012 three Gorges invested 1.6 billion dollars in same field. Moreover, Nepali aviation department got huge amount worth 150 million dollars in 2013 and 250 million dollars in 2014 from sin march of China. Tourism has become another area of cooperation, which is also supporting Nepal economy. In 2010, 46360 Chinese people visited Nepal as tourist which increased to 89509 till 2013 which is supporting Nepal in enhancing foreign exchange of latter in a huge way (Chand & Danner, P-29).

China not only supporting Nepal in defence and Tourism sector but also providing huge amount of money to its hydropower projects. Chinese investment in hydropower sector of Nepal is working like nectar for latter's increasing hydropower capabilities (Richard 2021). Initially, Chinese policy towards Nepal directed by security issues in region but now it is also



being used to mitigate Indian leverage in Nepal and region as well. Security and integrity of Tibet with China is always preferred while determining latter's policy towards Nepal. In 1959 Tibet witnessed a strident uprising against China which was coercively suppressed by latter. Consequently, political, and spiritual leader of Tibetan people, Dalai Lama exiled to India who accompanied with thousands of Tibetan followers. Many of Tibetan insurgents and people took shelter in India, Nepal, and Bhutan, who have been inhabiting in these countries for a long time. It is believed that approximately 20,000 Tibetan refugees are living in Nepal, which have organized themselves to abolish Chinese rule in Lahasa. China always asks Nepal to control these anti-China activities from her land and Nepali Prime Minister assured her counterpart in China, not to allow any anti - Chinese activity from their territory. Tibetan protesters in Nepal by government of Kathmandu and construction of a road from Tibet to Nepal are examples of increasing Chinese influence in Nepal, which are causes of concern for Indian security and safety. (Siddiqui, 2011).

Till 1980 China tried to increase its influence in Kathmandu in a soft way and used economic cooperation as prominent tool of heeling Nepali policies in its favour. Beijing always endeavors for harmonious relations with Kathmandu on the basis of equality and mutual respect and non-interfering in the internal matters of each other. After the horrible riots of 2008, occurred across the Tibetan region, which jeopardized the stability and integrity of China, latter started to actively intervene in security structure of Nepal. China provided 10 million US dollars financial aid to Nepal to make its anti-riots forces stronger as well as capable to check such critical situation in future. Drastic riots of 2008 in Tibetan region were big agitation against Chinese rule after 1959 revolt. After this China overhauled its policy towards Nepal and started increasing its influence in political domain of latter. China not only provided huge amount of money to Nepal to strengthen the security forces of latter but also used diplomatic pressure to curtail rights of Tibetan refugees of gathering and making organization. Subsequently, Kathmandu imposed restriction on the celebration of several Tibetan festivals in the country. Moreover, political rights of Tibetan refugees were also banned to please China. (Chand and Danner 2016)

As per the treaty of 1950 Nepal has only one option in the form of India to fulfill its requirements in defense sector. Previously India enjoyed privileges in defense sector of Nepal





because without previous permission of New Delhi, it could not purchase military equipments from any country. But by the passage of time Nepal started to claim that India was extremely interfering in foreign affairs of Kathmandu. A big political change took place in Nepali political system, when communist party of Nepal displaced monarchical system in Kathmandu in a democratic way in April 2008. Prime Minister Pushpa Kamal Dahal visited India on 14 September 2008 and insisted to review treaty of peace and friendship of 1950. His counterpart Prime Minister Manmohan Singh consented and a committee was setup of foreign secretaries from both sides to update the treaty of 1950 as per the need of hour (Jain 2011).

Now China has become as significant source of military aid for Nepal. Beijing provided significant military aid to Nepal during its civil war (1996-2006), which made former more reliable in the eyes of latter in defence sector. Moreover, both countries agreed to increase cooperation in military domain and China made a promise of aid worth 7.7 million U.S dollars to make Nepalese security forces stronger. This aid has a security related purpose of China in contest of Tibet. Nepal occupies a focal point in geostrategic of China in contest of Tibet. Now China is making a railway track from Lahasa to Lumbni city of Nepal, which join border with an Indian state Uttar Pradesh. Therefore, it is a serious cause of concern for Indian security because with the help of this railway facility, Chinese troops and ammunition can easily be transported from Tibet to Indian border in any future clash. This gargantuan railway project of China on the one hand is minimizing Indian inferences in Nepal and on the other hand increasing the Chinese leverage in the latter. Chinese efforts to increase its influence in Nepal can be considered as a part of its policy towards whole South Asian region. India has been enjoying great leverage in subregion due to its geographical location. Now Beijing is working on a strong geostrategic policy towards the sub region to increase its influence here at the coast of India (Chand & Danner 2016).

Nepal is an important country of South Asia which has central point in determining security scenario of India in South Asian region. Both India and Nepal have many socio-cultural similarities, which still casting shadow on the mutual relationship of both. After election of 2014 under the leadership of Prime Minister Narendra Modi “Neighbourhood first policy” was initiated and Nepal was chosen as destination to visit in a very short span of time. Both



countries agreed to enhance their age old social, cultural, and historical bonding. Therefore, a bus service was also started from Ayodhya to Janakpur to deepen cultural bonding between both countries and people as well from both sides. Moreover, both India and Nepal reveal their interest to increase land connectivity in the South Asian region to flourish trade and prosperity of the people of sub-region (Bhatnagar & Shahab 2021).

Emotional ties bond both India and Nepal in close harmonious relationship in mid of 20<sup>th</sup> century in which India enjoyed privileges in military as well as economic domain of Nepal. But Chinese entry in South Asian region to increase its influence here, curtailed Indian leverage in whole South Asia in general and in Nepal in particular. Chinese policy towards Nepal is determined by its national integrity in Tibetan region and another prominent factor is to balance India in the sub region. Nepal is also willing to enhance its relation with China, in order to counter excessive Indian dominance in internal as well as external affairs of Nepal. This fact enthused Beijing to support Nepal financially and militarily in the wake of consolidating its position in the country. Initially, China used economic aid to tilt Nepal towards her but after the riots of Tibet in 2008, former started to impact directly either by diplomatic pressure and huge investment in defence sector of latter (Chand & Danner 2016).

Nepal is a landlocked country and mostly dependent on India for its export and import and energy transportation facility. Indian economic impeded of 2015 to inflict Nepal due to making changes in constitution of latter, resulted in shortage of essential things including food and medicine etc. In order to decrease Nepali dependence on India for port access, China has offered four of its ports, Xi Jinping during his visit to Nepal in 2019 made a promise of huge investment worth of billions of dollars in future. Therefore, Kathmandu's search for an alternative of India provided an opportunity to China for laying down a massy relation with former. Beijing now working on improving connectivity with Kathmandu through railway from Tibet to Nepal. This sturdy connectivity between Lahasa and Nepal is a serious cause of concern for India security (Akshaya 2021).

China has become an alternative of financial and military aid of India to Nepal. To mitigate the Indian leverage in Kathmandu, Beijing has been assisting to latter on a large scale in economic as well as defence sector, which had reached to 174 million US dollars till 2013-





14. China escalated its financial support to Nepal after riots of 2008 in Tibetan region (Chand & Danner 2016).

China is utilizing economic aid as tool to get significant political leverage in Nepal, in order to check anti-Chinese activities conducting by Tibetan refugees inhabiting in Nepal. China increased its economic aid to worth of 621 million US dollars in 2015-16 to mitigate Indian financial masterdom in Nepal (Bhatnagar & Shahab 2021). Rasuwagadhi and Tatopani passes are very significant in order to enhance trade activities between China and Nepal. China is also motivating its provinces including Yunnan and Sichuan to enhance collaboration with Nepal in area of trade and tourism. As the consequence of such kind of efforts, trade between China and Nepal reached to 1102.99 million U.S dollars in 2018 which was just 204.52 million U.S dollars in 2000 (Lama, 2022).

Beijing and New Delhi expanding their economic cooperation with Kathmandu to get it under their leverage. India inaugurated Arun II hydroelectric project with capacity of 900 mw in Nepal and both have mutual trade worth of 6.82 billion export and 437 million import to India in Jan 2019 (Bhatnagar & Shahab 2021).

India and China providing huge amount of money to Nepal in the form of aid to increase their influence in Kathmandu. For instance, earthquake of 2015 of Nepal trembled the whole country. Both New Delhi and Beijing provided financial and material aid to Kathmandu on large scale. India under operation maitri sent 200 personals for rescuer operation along with 13 military and 3 civilian aircraft to Nepal (Chand & Danner 2016).

In the wake of earthquake of 2015 which shook the Nepal at a large scale, India responded quickly. New Delhi released an amount worth 67 million U.S dollars along with technical and medical personals to Kathmandu in order to support latter in such a critical time. Furthermore, in June 2015 during an international conference was organized on Nepal's reconstruction, in which India announced assistance worth of I billion. U.S dollars in order to reconstruction of Nepal. New Delhi also issued 50 million U.S dollars for reconstruction of Kathmandu university. In order to strengths Nepali financial conditions India issued 12, 00 crore rupees as a grant to former in its budget of 2019-20 along with letters of credit amounted 1.65 billion U.S dollars. India and Nepal have been working to improve land



connectivity in order to boost trade-between both and establishment of a check post at Birgung in 2018, is major step in this regard. India has a trade with Nepal of approximately 8 billion U.S dollars which is two third of total external trade of latter, which stands to 12 billion U.S dollars. Nepal is mostly dependent on India to fulfill its needs in petroleum sector. For continue an uninterrupted and low-cost supply of oil- a pipeline has been established in November 2019, from Motihari of India to Amlekhgunj to Nepal. As the consequence, a reduction of price of oil by 2 rupees per liter announced by Nepali Prime Ministry (Puri 2021).

China also came with a bunch of financial and medical aids, which it never provided to any country of the world ever. Beijing provided 3.3 million dollars as philanthropic aid along with 60 medical and 95 military personal to Nepal for rescue operation. Later on China promised to provide 780 million U.S dollars and India announced worth of 1 billion dollars to Kathmandu in order to emerge from subsequent conditions of the earthquake. Nepal is a country located in the Himalayas which now providing inroads to China to enter in the South Asia which is serious cases of concern for India from strategic point of view (Chand & Danner 2016).

## Conclusion

Previously, Nepal was known as Indian Sphere of influence. India enjoyed privileges in internal as well as external affairs of Nepal for a long time. Under the treaty of friendship, signed in 1950 Kathmandu was bound to get previous permission from New Delhi before purchasing military equipments from any country of the world. Annexation of Tibet by China changed the whole security and strategic scenario of South Asian region. China established formal relationship with Nepal after India but now it has become an important source of economic and military aid for Nepal. In fact, Kathmandu also want to diversify its source of assistant in economic and military domain in order to decrease it's over dependence on India. On the other hand, China also wants to mitigate Indian influence in Nepal and South Asia as well. Nepal is now playing China card against India to get more economic benefits from latter and decrease its dependence on New Delhi as well.



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