

China's Growing Influence in Nepal

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Abstract:

Nepal used to be safe and buffer zone for India. China was least interested in Nepal till 1950s. But strategic compulsion changed China attitude Tibet. This was a difficult period for India to manage its security policy in the Himalayan state. Thing became more complex once China started intruding Nepal. China has tried by its long term strategy to obliterate Nepalese dependence on India. This could be seen by the Chinese political, economic, cultural and defence assistance to Nepal. The purpose was to weaken India's strategic gain in Nepal. Recent differences between two powers over oil exploration and maritime confrontation in the South China Sea is an indication of some kinds of clash of interest between India and China. The article deals with the Chinese assertion in Nepal and how it affects Sino-India geo-political dimensions.

Key words: Tibetan plateau, Chinese nationalist government, People Liberation Army, Himalayan Federation of Mongoloid People of Tibet, Treaty of Peace and Friendship, buffer state, Cultural Cooperation, golden gateway, disaster relief operation.

INTRODUCTION

Nepal's importance in the region lies due to her geostrategic location. She stands not only on crossroads of two dominant civilizations but also in the heart of the Himalayas. The

formidable Himalayan mountain range separates the Indo-subcontinent from the Tibetan – Chinese region. India is about 2000 miles long. The Himalayas and the Tibetan plateau are the controlling features of the sub continent. The geostrategic implication of Nepal arises from two factors. First - from political perspectives – its position that links the two landmasses of India and China has given her a unique buffer status enjoyed by few countries in the world. Second, from a commercial standpoint, her control of two vital passes Kuti and Kerong in the central Himalayas enabled Nepal to focus the trans – Himalayan trade from the ancient period to the turn of the last century. The opening of the Phari route via Kalimpong, India, by the British towards the close of the nineteenth century led to an eclipse of Nepal's trans Himalayan monopoly. However, the emergence of two powerful states with differing political systems of the Himalayan region made Nepal alive and sensitive in the post 1950 decades.

In the cold war era, dominated by the USA and the Soviet Union, as well as immediate neighbours, India and China were competed for their sphere of influence in the region. India borders Nepal with India in three sides while its northern frontier lies with Tibet (China). This is a natural advantage to India, as movement from south to north along Terai plains of Nepal is easier than from Tibet across the Himalayan range and through the northern mountainous regions. Though Tibet also enjoys many cultural, ethnic and religious affinities with Nepal, but all these aspects have been relegated by China after its occupation of Tibet.

HISTORICAL ASSOCIATION BETWEEN CHINA AND NEPAL:

Understanding the past is important in Chinese Nepal relations, because it was on this core issue that China had claims of suzerainty over Nepal. The suzerainty even continued in the early 20th century under the nationalist government. Mao

and the Communist's in the 1940s did plan to build a "Himalayan Federation of Mongoloid People of Tibet, Nepal, Sikkim, Bhutan and India's North East Frontier Agency" under Beijing, which however did not materialize. The formation of the People's Republic of China in 1949 under the CCP and the subsequent occupation of Tibet in 1951, Nepal shared physical boundaries with China 22 of the 30 counties in the Tibet Autonomous Region (TAR). This, thus, also made Nepal economically interdependent. Hence, Nepal has always been given much important by China.

Nepal recognized the PRC on 1 August, 1955. Soon both the countries signed the Five Principles of Peaceful Coexistence. In 1956 China's Premier Zhou Enlai visited Nepal, and provided the Nepalese ten million rupees as the first installment of China's aid to Nepal under the October 1956 agreement. In 1960 both nations signed the Treaty of Peace and Friendship, which was seen something as parallel to the historic Nepal India Treaty of Peace and Friendship, which was signed earlier. Since the 1960s, China has provided Nepal with much developmental aid, seen mostly in the form of infrastructural build-up, roads and highways. This is seen in the construction of the Kathmandu – Kodari road. The construction of the road started from 1962 and was completed by 1967. The economic assistance of US\$ 3.5 million was provided without imposing conditions on Nepal. This highway linked Kathmandu to Tibet and was seen as a crucial link between Tibet and South Asia. Mao had elaborated the significance of this road to a Nepali delegation in 1964 by saying "once the roads are open, India may be a bit more respectful towards you."

Other major roads and highways such as the Kathmandu – Bhaktapur highway, the Kathmandu-Pokhara and the Pokhara- Surkhet roads were all developed with the assistance of China. Similarly, economic aid was also provided by China during this period for developing various small scale and medium sized industries such as the Bansbari Leather and

Shoe factory (1965), a Brick and Kiln factory (1965) and the construction of the Sunkoshi Hydropower station. In 1972 an agreement was signed for the construction of a small dam across the Seti River near Pokhara. Thus, the involvement of Chinese in exploring Nepal's hydropower capacities started quite early. In 1978, work on the Bhrikuti paper mill at Lumbini was commenced, which was completed in 1982.

In late 1970s and early 1980s one saw the high level Chinese delegation visiting Nepal. Deng Xiaoping's visit in 1978 and also Premier Zhao Ziyang's visit to Nepal in 1981 are important in improving the Sino-Nepal ties. In late 1980's pro-democracy protests by Nepal's political parties was initiated and supported by numerous mainstream Indian political parties. These protests had been further accentuated by India closing its trade routes with Nepal. The economic blockade had been imposed due to major disagreements over trade between the two countries as well as due to Nepal's acceptance of Chinese light arms and other military hardwares in 1988 which was seen in contravention to an earlier agreement signed in 1965 with India which had made it the exclusive supplier of defence equipment to Nepal.¹

TIBET FACTOR:

In the initial period, particularly after 1951, the fault lines in the Indian policy became clear. From 1946 to 1951, India followed the policy laid down by the British government and treated Tibet as an autonomous buffer state between India and China. It even accepted Chinese sovereignty over Tibet. Thus, when the China People's Liberation Army marched into Tibet in 1950 the Indian government criticised the Chinese action. As the Chinese communists wanted to put their foot firmly in Nepal, the Indian government, in a hurry, concluded a series of defence treaties with Bhutan (August 1949), Nepal (July 1950) and Sikkim (December 1950). In February 1951, the Indian

government even established the North and North-Eastern Defence Committed.

The Chinese interest in Nepal is related to Tibet. At a minimum, the objective is the consolidation of Chinese interests in Tibet as that region is dependent on the neighbouring countries for border trade. In addition, the regular flow of thousands of Tibetan refugees into Nepal and India every year, the Chinese objective is to check any negative fallout from Tibetan refugees in these countries to impact Nepal as a buffer zone. Thus, Chinese objectives in Nepal have been influenced by the Tibet factor. It is estimated that some 20,000 Tibetan refugees play a destabilizing role from Nepal. to secure Nepal as a buffer zone. China is aware of this challenge. There have been instances of freedom movements in Nepal by these refugees. In 2008-09 high level Chinese delegations plus two military teams visited Nepal. China repeatedly assured economic, technological and military aid to Nepal. The Chinese in return requested the Nepalese government not to allow anti-China activities from Nepalese soil and also take strong actions against the agitators.

CHINA'S THREE STAGE INVOLVEMENT IN NEPAL:

China's security objectives in Nepal are many. China's role in Nepal has expanded gradually over the last seven decades. The Chinese involvement in Nepal can be classified into three stages. In the first stage (1955 to 1989) China was involved in the developmental infrastructure in Nepal. In the mid 1980s China restarted its highway construction activities in Nepal. In June 1984 it allowed to develop a second trans-Himalayan highway, linking Pokhara with the Xinjiang-Tibet highway. In 1987, Beijing decided to construct a road from Lhasa to Dazhu. In 1988, a series of Chinese- Nepali moves ignored India's security interests. Chinese propaganda became openly critical of Indian policies toward Nepal, condemning them as manifestations of Indian expansionism. Nepal responded

positively to China's overtures. The new wave brought many fundamental changes in triangular relationships.²

The second stage of Chinese policy was to end Nepal's overdependence on India. Till 1995 trade between China and Nepal was limited to 0.7 percent and with India it was 99.0312 percent. China was conscious of the geographical proximity between India and Nepal. Therefore, new routes to trade in Nepal were planned. On the other hand, China encouraged Nepal to adopt the equidistance policy between India and China. In the early years, Chinese assistance was limited not only to development of projects but number of financial involvements were initiated. From mid-90s the China has been pledging granting assistance to Nepal under the economic and technical cooperation programme. The volume of such assistance is to the tune of 80 million yuan every year.³

In the third stage, China began its aggressive design to weaken India's hold on Nepal. In this stage, the focus was to encircle India. Kathmandu has become the latest proxy battleground between the regional powers, India and China, to demonstrate power position. Chinese involvement in Nepal is not limited to roads and hospitals. In August 2008, China gave the Zhangmu-Kathmandu optical fiber cable project to Nepal. This 100 km of optical fiber cable is a new information superhighway, between China and Nepal. China is also involved in the construction of the Melamchi Water Supply Project in Central Nepal to alleviate the water shortages in Kathmandu.⁴

For Nepal, close proximity with China is important as it could gain much from China's economic growth. Nepal's aid history and its experience show that aid flow into the country due to strategic, political and economic compulsion. Till the 1970s, the allocation of foreign aid was centred on infrastructure development. Later on, Nepal focused on people oriented development such as fulfillment of basic needs, area based agricultural development and labour intensive programme, rule

of law, human rights, woman empowerment, peace-building, child welfare and people's participation in development.⁵

A landmark agreement signed October saw China extend "emergency fuel assistance" to Nepal in the wake of the serious fuel shortage. It is expected to pave the way for greater bilateral cooperation. The fuel agreement was preceded by sharp deterioration in India-Nepal relations, sparked by differences regarding provisions in Nepal's new constitution in September. Meanwhile, the people of Nepal's Terai region, which borders India (and who largely originate from India), escalated their protests against discriminatory provisions in the constitution. An "unofficial Indian blockade" of trucks carrying essential supplies to Nepal followed, resulting in a crippling shortage of fuel and food items. With the fuel crisis worsening, the Nepalese government turned to China for help.

A decade of civil-war has left Nepal's economy in a bad state. More importantly, China serves as an alternative platform for its political and diplomatic bargaining vis-à-vis India. There is a huge dependence of Nepal on India for economic needs. Indian is Nepal's largest trading partner accounting for more than 60% of its trade. About 12 of the 13 trade routes of Nepal are via India. About 50% of Nepal's remittances come from India. The Nepali Maoists felt the urgent need to cultivate deeper ties with China on the one hand, and reduce their dependence on India on the other hand. This is the reason why the Maoists want to renegotiate the 1950 Indo-Nepal Treaty. The previous Prime Minister of Nepal and one of the top CPN (M) leaders, Babu Ram Bhattarai was of the view that it was only because of the open border that Nepal could not achieve economic prosperity. The Maoists are also insistent on reviewing the Gurkha recruitment by the Indian Army. All this evidents show that the Maoists are essentially calling for re-negotiation of the relationship with India.

The alleged ideological empathy of the Maoists with the Chinese Communists is seen as an added advantage. It seems

that China is likely to exploit this opportunity in future. Nepal's pro China policy began with King Mahendra and was continued in successive regimes. But the Maoist regime in Nepal openly invited China to balance India's excessive role in Nepal. India's rapid decline influencing Nepali politics is making things worse for India. A pro-China Nepal would not be in the interest of India as Chinese presence in Nepal will definitely challenge Indian security. In the long term, Nepal is likely going to a hotspot between India and China. To begin with, both Nepal and China are planning for greater economic linkages and there are proposals for connecting the two countries with as many as ten roadways and a railway line from Lhasa to Khasa at the Nepal-China border within five years.

Diplomatically, from 2006 onwards, there has been a perceptible shift in the Chinese stand towards Nepal. Another major indicator of growing Chinese influence on Nepal is the latter's crackdown on Tibetan protests in April 2012 at the behest of China. China is likely to play a significant role in determining the future shape of Nepalese politics under the Maoists. From this perspective, China's conception of Nepal as a new buffer acquires significance. Further, Nepal is important for China in order to check the rise of India. With globalization, and the rise of China and emergence of India Nepal is, thus, likely to opt for a balanced approach with both India and China, which would eventually pave the path for its own economic growth and stability. For India, the challenges are to support Nepal to gain economic and political stability without being domineering and create a win-win situation. In fact, India has to deftly handle its Nepal policy keeping in mind the growing Chinese influence in Nepal.⁶

ECONOMIC CULTURAL AND TECHNICAL COOPERATION:

The Government of Peoples Republic of China has provided assistance to the Government of Nepal under the bilateral

Agreement of Economic and Technical Cooperative signed between the two countries. As such, the first Agreement between China and Nepal on Economic Aid” was signed in October 1956. Both the countries have established Inter-Governmental Economic and Trade Committee in October 1982 to improve bilateral economic and technical cooperation. Regular meetings of these mechanisms have helped Nepal to take timely steps wherever it is necessary for her mutual benefit. China has always been a reliable partner in Nepal’s development especially in the areas of infrastructure and human resources development, education health and food assistance.

Nepal and China have signed the Agreement on Cultural Cooperation to enhance cultural exchanges. The year 2012 was announced as ‘Nepal-China Year of Friendly Exchanges’. The two countries also have a Youth Exchange program which is instrumental in fostering utmost understanding between the two states. Nepal has been receiving volunteer teachers for Chinese language training and also some volunteers in agricultural sector. China has provided 100 scholarship to the Nepalese students which have been very useful. Nepal also extends few scholarships to Chinese nationals to learn Nepali language in Nepal

TRADE AND INVESTMENT:

The volume of Nepal – China trade had been enhanced immensely. China’s strategic road construction in the Himalayas has helped trade grow. In 2013, China was the fourth largest market for Nepal’s goods, absorbing four percent of its exports and the second largest (15 percent) source of its imports (Atlas of Economic Complexity, 2013). Sino-Nepalese trade was worth \$ 23 billion in 2014. The following table shows the status of Nepal’s trade with China in the last four years:

VALUE IN RS

Year	Export	Import	Trade Balance
2010	996,989,850	41,057,900,250	-40,060,910,400
2011	761,983,271	51,466,423,069	-50,704,439,798
2012	2,507,993,748	69,910,833,822	-67,402,840,074
2013	2,042,253,520	68,778,185,554	-66,735,932,034

China is top most investor in Nepal and Chinese investment in Nepal is increasing. By July, 2012, 428 Chinese projects were in operation in Nepal with investment of Rs 7860 million which created 26,651 jobs.

TOURISM:

Nepal and China have signed an agreement on Cultural Exchange in 1964. It was revised again in December 1999 to include tourism as one of the components. There is an agreement to the visa free regime for the bearers of diplomatic and official passports from each other's country. Nepal has made Chinese Yuan convertible for tourists and businessmen. These existing agreements between Nepal and China on cultural exchanges and tourism, the Araniko Highway, and air connections from different cities of China to Kathmandu have contributed towards increasing the number of Chinese tourists coming to Nepal. In order to further promote bilateral tourism, there should be expansion and frequency of direct flights of flights between the two capitals. The following table shows the tourist arrival in Nepal from China in the past five years:

Year	Tourists	Chinese Tourists	Percentage	Growth Rate
2009	5,09,956	32,272	6.3	-8.23
2010	6,02,667	46,360	7.7	43.65
2011	7,36,215	61,917	8.4	33.56
2012	4,94,019	42, 518	8.6	21.8
2013	797,759	89, 509	11.22	24.5

DEFENCE TIES BETWEEN CHINA AND NEPAL:

Nepal's army is the country's most robust institution and is seen by China and India as a guarantor of stability.⁷ Traditionally Nepal has been a close ally of Indian Army, but now Nepal's military is expanding relations with PLA. In 2005, China supplies more arms to king Gyanendra and in the same year Nepal supported the inclusion of China into SAARC irrespective of the fact that India had expressed its reservations. In the same year, China pledged military assistance of \$ 989,000 to Nepal. The assistance was given to check the Maoist insurgents in Nepal which India, US and UK had suspended military assistance to Nepal since February 2005. In September, 2008,⁸ China invited the Nepalese defence minister Ram Bahadur Thapa as an observer to the military exercise 'Warrior 2008' and during his meeting with China's defence minister Liang Guanglie, China announced a military aid package of \$ 3.1 million to Nepal. In December, 2008, Lieutenant General Ma Xiaotan of the PLA pledged \$2.6 million in non-lethal military aid to Nepal. In December 2009, China again agreed to provide military aid worth Rs 220 million to Nepal for the supply of non-lethal military hardware including logistics. China also took the reconstruction of the China-Nepal highway, which was expected to be completed by the end of the year 2011. Once complete, the highway is expected to become a "golden gateway"⁹ connecting Lhasa to Kathmandu and will be China's gateway to South Asia, Along with the Qijghai – Tibet road, this highway has been touted as having the potential to boost Nepal's economic growth through greater trade with China. The basic aim of China is to reduce the Indian influence in Nepal. China knows that this can be achieved by creating alternative trade routes for Nepal.¹⁰

As of now, the Nepalese Army's biggest contributor is the Indian Army, which has been assisting it with various lethal and non-lethal aids. Nepal Army Chief General Gaurav Shumsher Rana visited China for a nine-day official visit to

step up bilateral military ties. Gen. Rana met Deputy Chairman of Central Military Commission, Air Chief Marshal Xu Qiliang, Chief of the PLA General Staff Fang and other high-ranking military officials. According to the Directorate of Public Relations at Nepal Army, a deal on setting up two mobile hospitals was conclude during Gen Rana's visit to the northern neighbour. "Under the deal China was to provide two well-equipped mobile hospitals worth 59 million yuan which were to be used for disaster relied operations." In an earlier visit to China by then Chief of Army Staff of Nepal Army General Chhatra Man Singh Gurung in 2011, China had pledged to provide 100 million yuan worth military assistance to Nepal Army.

The PLA has in Dec 2013 pledged an financial assistance to the tune of NPR 820 million to the Nepalese Army. An agreement to this effect was signed in Beijing between Nepal's Ambassador to China Mahesh Maskey and Deputy at the Chinese Foreign Ministry Ci Guo Wi, on Dec 16, 2013.¹¹ This has been the outcome of the visit of the Chief of Nepalese Army to China in July 2014.

The Vice Chief of General Staff of China's People's Liberation Army (PLA) Lt. Gen. Wang Guanzhong had paid a courtesy call on Nepal's Chief of the Army Staff Gen Gaurav Shumsher Rana in Feb 2014 at his office and discussed a wide range of military cooperation between Nepal and China.¹² During the meeting at the army headquarters the Chinese general hailed the role played by Nepal's army in national and international level and assured more support and cooperation in future. The Chinese officer assured Gen. Rana that two mobile hospitals worth 50 million Yuan, which China earlier committed to provide as an aid to Nepal army, would arrive in Kathmandu in the near future. The visiting General also assured a further Chinese aid of approximately 30 million Yuan to Nepal army for next year. The military generals also discussed historic ties between the two armies, mutual cooperation and other prospects of bilateral relations. They also

reviewed the military exchanges, discussed areas of mutual interest, as well as ways to further boost military cooperation in the future.¹³

CONCLUSION:

Unlike India's relationship with Nepal, Sino-Nepal relations have been steady. This is mainly due to the factor that China has developed all Nepalese regimes, whether autocratic or democratic. This is quite in contrast to India, which has backed anti-monarchy movements and insurgences in Nepal. Moreover, anti-China sentiment in Nepal is "less intense" as the people of the two countries do not mingle as much as Nepalese and Indians. China has working seriously to build bridges with Nepalese people. It has set up Confucius Institute and Chinese language centres across Nepal with a view to strengthen Nepal's understanding of China and its culture.

China has adopted a policy of encirclement against India in South Asia. It has a genuine advantage in this regard as the smaller neighbours of India in South Asia doubt India's intention that she will not hamper their security interests and would not act as big brother. Chinese ties with Nepal will create geo-strategic pressure on New Delhi will lead to a perception within India of being hemmed in by the Chinese. China being a more cohesive political structure has the ability to shape things with a long-term perspectives, which it has been following the region to assert itself for quite sometime now.

China's has also contained India's dominant position in Nepal, whether in trade, investment or defense cooperation, by gaining the most from the fuel supply deal. The "unofficial Indian blockade" has underscored to Nepal yet again its extreme vulnerability to Indian pressure and has set off a wave of anti-India sentiment outside the Terai.

The Chinese political structure is based on the ideology of Leninist Communism. The polity of China is hierarchical and

is a centralized democratic institutions. By and large China has single party system with definitive control over the judiciary. After death of Mao there was brief interval of power struggle. Deng outmaneuvered his opponent during this power play to a position of paramount leader. Deng's ascent to power may be termed as a watershed moment in modern Chinese history. The political system of China is inherently more disciplined. Since they do not manage contradictions; their decision-making and implementation is much faster. Chinese polity is stifling; iconic "Tank Man" of the Tiananmen Square who challenged the brutal force of the Chinese state. It has become a totem for all fighting for civil rights. India as a modern democracy has a bicameral system.

The current experimentation with coalition politics, which it has now matured to a great extent, takes into consideration myriad viewpoints. PLA also plays an extremely important role in politics and policy decision-making. In fact, it is also at times alleged that PLA has parallel view on number of strategic issues. Being an important player in shaping the political and strategic thought as well as action it necessitates understanding of the military arm.

It has a unique responsibility to protect the party rather than the national policies and polity. Presently, as per the succession plan the Chairman of the CMC generally goes on to become the Premier Xi Jinping also was promoted to the CMC before being elected as the Premier. Next to Pakistan, Nepal enjoys the second priority in China's strategic calculation; hence the involvement in the country is obvious. China will continue to engage Nepal with a view to check India's influence in the region to protect its interests in the region.

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