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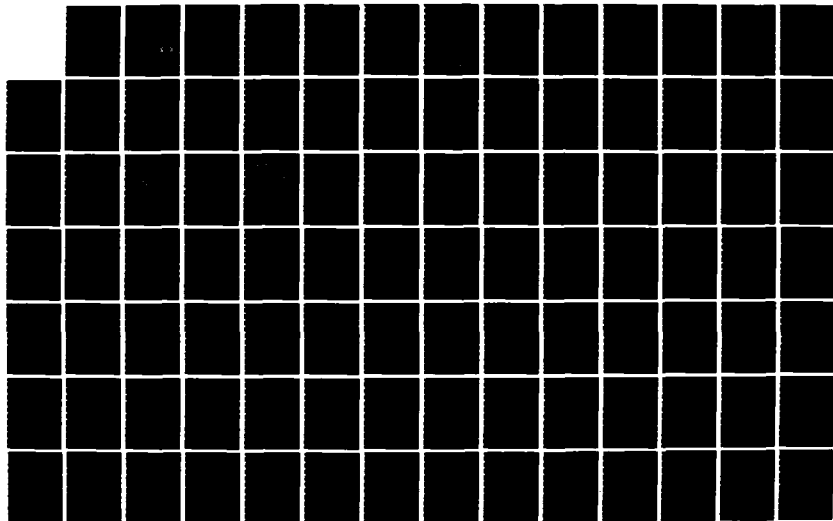
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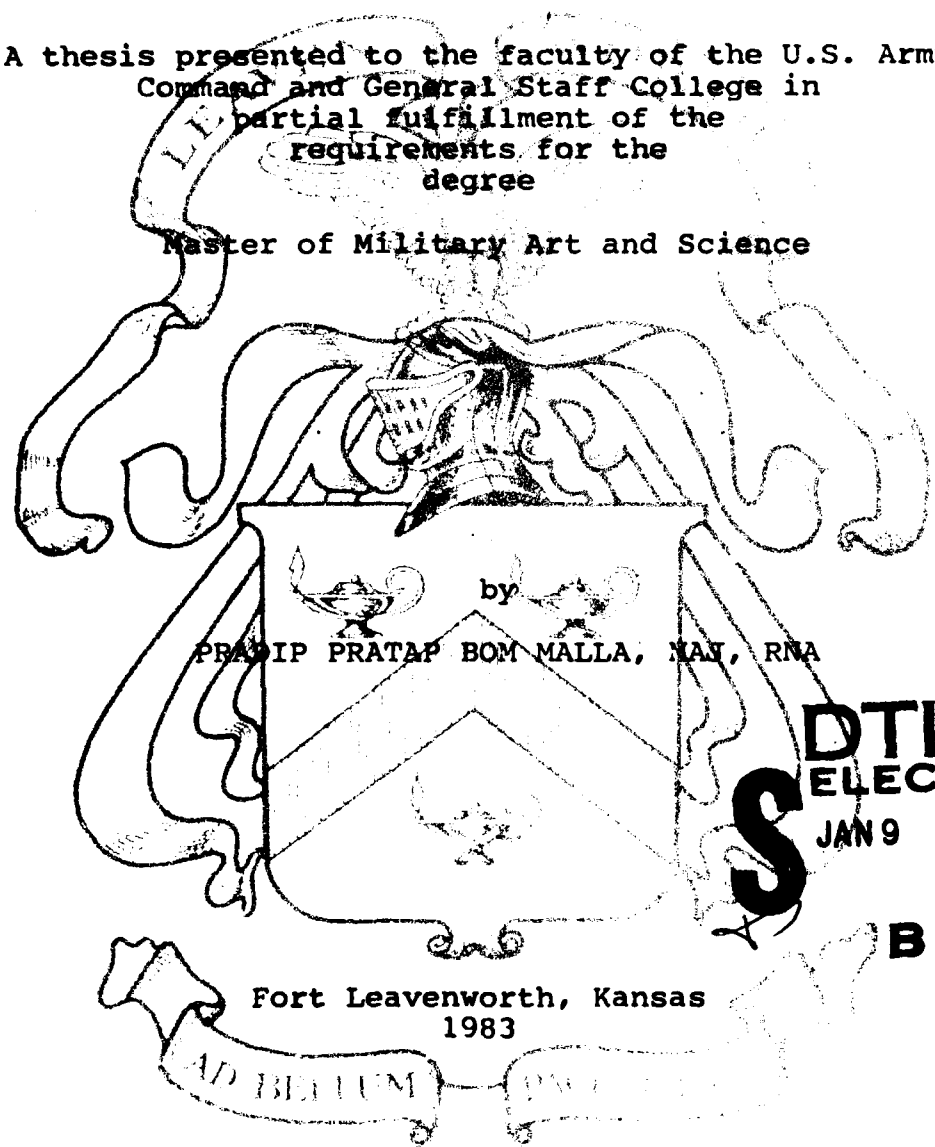
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NEPAL: QUEST FOR SURVIVAL

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A thesis presented to the faculty of the U.S. Army
Command and General Staff College in
partial fulfillment of the
requirements for the
degree

Master of Military Art and Science



by
PRADIP PRATAP BOM MALLA, MAJ, RNA

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are examined: Nepal between the British Indian and Chinese empires, Nepal between newly independent India and newly-Communist China; and, Nepal since its determined emergence on the world scene in the early 1950s.

While India and China border Nepal, it is India which is of most concern. Growing Nepalese economic dependence upon India far outweighs the political threat of Communist China. Indeed, the dangers of Nepal being assimilated into Greater India are accentuated by such factors as geographical proximity, cultural and religious similarities, and political affinity. To counter this drift, Nepal has asserted herself more dynamically in the international arena. Other means have included accommodation with Nepal's powerful neighbors while simultaneously maintaining maximum internal and external autonomy.

The thesis concludes with an examination of the three components of Nepal's current strategy in her quest for survival.

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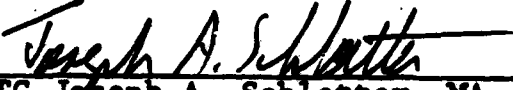
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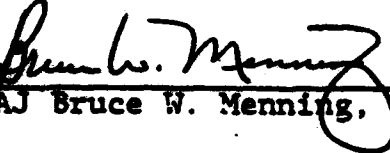
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The opinions and conclusions expressed herein are those of the student author and do not necessarily represent the views of His Majesty's Government of Nepal, Royal Nepalese Army, or the U.S. Army Command and General Staff College or any other governmental agency. (Reference to this study should include the foregoing statement.)

ABSTRACT

NEPAL: QUEST FOR SURVIVAL, by Major Pradip P.B. Malla, RNA, 117 pages.

This thesis examines how Nepal has historically resisted external domination and has survived through the politics of accommodation. Emphasis is placed on Nepal's relations with its two giant neighbors, India and China.

The study includes an historical review of Nepal's role and position as a buffer and as an actor in her own right. Three periods following Nepal's unification are examined: Nepal between the British Indian and Chinese empires, Nepal between newly independent India and newly-Communist China; and, Nepal since its determined emergence on the world scene in the early 1950s.

While India and China border Nepal, it is India which is of most concern. Growing Nepalese economic dependence upon India far outweighs the political threat of Communist China. Indeed, the dangers of Nepal being assimilated into Greater India are accentuated by such factors as geographical proximity, cultural and religious similarities, and political affinity. To counter this drift, Nepal has asserted herself more dynamically in the international arena. Other means have included accommodation with Nepal's powerful neighbors while simultaneously maintaining maximum internal and external autonomy.

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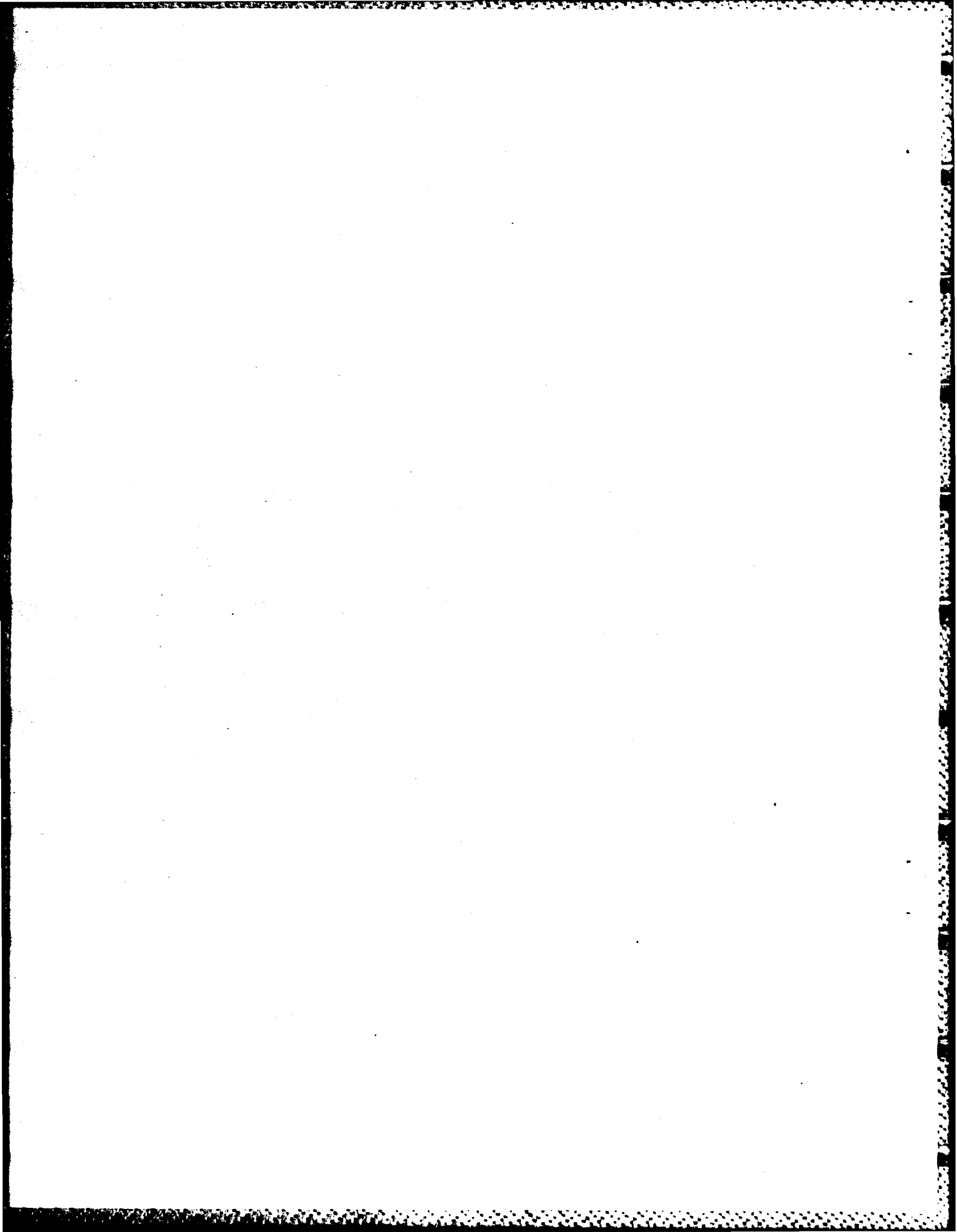
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PREFACE

As a small landlocked country sandwiched between two powerful nations, Nepal has had to display considerable dexterity and flexibility in her foreign policy. During the era of British Raj in India, Nepal tried to balance the interests of both British India and Imperial China.

The British Empire was most important as they had realized the strategic importance of Nepal in the 18th century. Nepal monopolized trade with supposedly rich Tibet and the secluded Chinese province of Xinjiang. After unification in 1766, Nepal had become a powerful Kingdom strategically located to strike at the heart of the British Empire in India. A military engagement with the British in 1814-1816 put a check to the Nepalese expansion for the time being. However, in spite of a treaty ending the conflict, the threat of Nepal was not removed. The British, despite their eventual success, realized the expense of a campaign in the mountainous terrain and the courage of the Nepalese soldiers and were eventually satisfied with status quo after annexing territories in the Terai. The British continued to maintain close scrutiny on Nepalese military activities with strong military garrisons stationed all along the border. As the British consolidated power, the leaders of Nepal saw the need to reach accommodations with the British Empire.

Furthermore, the British East India Company, originally established to promote trade and commerce, was eager to acquire a trading foothold with Tibet. Politically, the British were eager

to conclude hostilities and use both Nepal and Tibet as buffers to the expanding Czarist Russian Empire. The British residency in Kathmandu was able to improve its prestige in the court of Nepal after 1846. Following the "Kot massacre" when all loyal notables and officers were assassinated by Jung Bahadur Rana, the King was relegated to the position of a figure-head. Jung Bahadur and his brothers ruled Nepal as hereditary Prime Ministers from 1846-1951. In order to attain some degree of legitimacy, the succeeding Rana prime-minister began a cordial relationship with British India.

The exit of the British from India in 1947 saw little alteration in the foreign policy of both Nepal and India. The actors had changed but the stage invariably remained the same. Previously docile, China laid claim to Tibet and both India and China emerged as the regional powers. India and China had privately decided on their respective spheres of influence concerning the Himalayan Kingdoms of Tibet, Nepal, Bhutan and Sikkim.

India was to maintain its influence in Nepal while Tibet was ceded to Chinese control. It became imperative that Nepal determine its own destiny and undertake accommodation with India and Communist China by pursuing an independent foreign policy. In the post-1950 period, Nepal began to shed its "isolationist" posture. Extension of diplomatic relations was pursued vigorously. The most significant landmark was Nepal's admission to the United Nations in 1955. Nepal views the United Nations as the only guarantor of peace and an institution to serve the interest of the

small nations.

Nepal's desire to remain outside the influence of any power block in regional conflict is illustrated by her strong faith in the non-aligned movement and the proposal of Nepal as a "Zone of Peace." In spite of her cultural, religious, and economical affinities with India, Nepal maintains close relations with both India and China. Nepal has realized that a hostile atmosphere in the region is detrimental to peace and progress and has encouraged normalization of relations between belligerents such as India, China, and Pakistan. Nepal opposes all forms of foreign domination and has called for immediate withdrawal of all foreign troops from Afghanistan, Laos, and Kampuchea. Nepal is one of the advocates of a "new international economic order" and has requested the developed nations to help the underdeveloped nations.

The existing hostilities in the region, Nepal's geographical proximity to both India and China, and its economic dependence upon India, has placed Nepal in a precarious position. The annexation of the semi-autonomous state of Sikkim by India and continued Indian influence in Bhutan, the liberalization of Chinese authority in Tibet and the invitation of the Dalai Lama to Tibet, and, more recently, India's attempt to assume regional power status have been growing concerns to nations of South Asia. In this context it is natural for Nepal to develop strategies for survival. These strategies are manifested in a nationalistic and independent foreign policy.

I shall examine the foreign policy pursued by Nepal in three

distinct periods of history. In order to comprehend the present foreign policy, a review of the past is necessary to provide a background. Furthermore, although the actors have gone or been replaced over the time, the theme remains basically unchanged, that being to preserve Nepal's independence and sovereignty.

The sources and information will be mainly provided by books written about Nepal, His Majesty's Government of Nepal publications, periodicals, magazines, dissertations, and other publications. I shall relate major issues through an explanation of historical events and relate these to Nepal's strategies for survival. The conduct of the foreign policy of Nepal has been charted on a constant direction: to maintain an equidistant relationship between India and China. The alignment of its foreign policy within the framework of principles of peaceful co-existence, active participation in the non-aligned movement, unflinching faith in ideals of the United Nations, the zone-of-peace proposal, and the formation of the South Asian Economic Forum are all demonstrations of economic betterment and strategies for Nepal's survival.

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CHAPTER I
THE SETTING

The Kingdom of Nepal is wedged between the Union of India in the South and the Tibetan Autonomous Region of the Peoples Republic of China in the North (see map 2). Nepal is located between $80^{\circ} 15'$ and $88^{\circ} 19'$ east longitude and between $26^{\circ} 20'$ and $30^{\circ} 10'$ north latitude.¹ The country is rectangular in shape with a total length of about 500 miles. The width varies from 90 to 160 miles, and Nepal's overall land area is 55,463 square miles. It is roughly equivalent in size to the state of Florida. The Himalayas in the North provide a natural barrier which separates Nepal and China. The current demarcation line between the two was decided in 1961 after review by a joint border commission. The international boundary between Nepal and India is based on the Treaty of Sugauli negotiated after the Anglo-Gorkha war of 1814-1816. The southern border with India is open and devoid of any natural boundary; however, the Mahakali River in the west and Mechi River in the east form dividing lines between India and Nepal. Nepal's common frontier with the Tibetan Autonomous Region is about 670 miles in length, while the border with India extends 745 miles in the south. Nepal does not have territorial disputes with either of its neighbors (see maps 2 and 3).²

Geographically Nepal can be divided into three distinct topographical regions: (1) Himalayan Region; (2) Sub-Himalayan or Mountain Region; and, (3) the Inner Terai (Dun) and Terai (Plain) Regions.

The Himalayan Region accounts for nineteen percent of the total land area of Nepal. Elevations range from 16,000 feet to 29,000 feet. The Himalayas consist of a series of mountain ranges which generally run from East to West; however, parallel mountain ranges join the main chain at right angles forming deep north-south gorges through which major rivers flow. Along the northern edge of the main Himalayan range lies another range with peaks between 18,000 and 21,000 feet, which serves as the watershed between Tibet and Nepal. This is the natural demarcation line between the two countries. There are twenty-one passes in this mountain chain. Except for Kodari and Rasuwa, all passes are closed by snow during winter. The only road supporting motor traffic between Tibet and Nepal is across the Kodari Pass. In general, domination of Tibet by Communist China and termination of Nepal's dependence on mineral salt from Tibet have reduced the importance of various historical trans-Himalayan trade routes.³

The Sub-Himalayan or Mountain Region encompasses 64 percent of the total land area of Nepal. This region, located between the Himalayan and Mahabharat range, is the most densely populated. The elevation in this region ranges from 6,000 feet to almost 16,000 feet. The majority of the population is engaged in labor-intensive agriculture on the terraced mountain sides.

The Inner Terai (or duns) is located between the Mahabharat and Churia hills. The inner Terai, together with the Terai, forms the total territory of this region. This region constitutes the remaining 17 percent of Nepal's total land area. The elevation

varies from 600 feet to 12,000 feet. The land, apart from the Churia hills, whose soil is composed of sand and clay, is very fertile. The Terai is called the "Granary of Nepal," and provides nearly 17 percent of the government's total revenue. The economic importance of Terai to Nepal has increased because the land in the mid-Himalayan region has become inadequate for reasons of overpopulation and land erosion.

The Himalayan and Sub-Himalayan (Mid-Montane) regions were originally inhabited by a race called "Kirata" or the "Austro Asians."⁴ Indo-Aryan migration to the hills of Nepal after 750 A.D. pressured the "Kirata" to the east. But perhaps the most significant influx of Indo-Aryan migration resulted from the Muslim invasion of the subcontinent between the 11th and the 16th century. However, early Indo-Aryan immigrants called the Licchavis had already established rule around the Kathmandu valley from the fourth century A.D.⁵ This early Aryan influence included major cultural elements. Although the Licchavis had been significantly influenced by Buddhism, they maintained their Hindu cultural patterns. The original inhabitants gradually adopted the religion and culture of the Licchavis. The resulting culture, basically Hindu, retained a strong Buddhist influence which remains unique to this day. Dr. Guiseppe Tucci, a renowned orientologist, has remarked, "Nepal brought the task of mediation of Indian and Tibetan cultures to perfection."⁶

The early history of Nepal remains obscure. However, Nepal was mentioned in the Hindu mythological epic the Ramayana, the

Mahabharats, the Puranas, Buddhacarita, and other scriptures. All of these establish Nepal's antiquity and authenticate her early status as an independent political and territorial entity. From time immemorial, the Himalayas have attracted hermits, philosophers and thinkers, who came to meditate, often in quest of human happiness. King Janak of Bideha in Southeastern Nepal, "the prototype of the perfect ruler and ideal man,"⁷ and his daughter and her husband, Sita and Rama, are the subjects of the Ramayana written by the poet-saint Valmiki near the Gandaki River in southern Nepal.⁸ Siddhartha Gautama Buddha (the Enlightened One) was born (ca. 563 B.C.) in Lumbini in southwestern Nepal and commenced his career from India.

The chronicles, or Vamshavalis, state that Nepal was ruled for several centuries by dynasties like the Gopalas, Abhiras and finally the Kiratas (700 B.C.-100A.D.).⁹ The Licchavis, mentioned above, had migrated from North Bihar in India around 250 A.D. to Nepal and finally replaced the Kiratas. The earliest documented history is found in the inscriptions of King Manadeva I, a member of the Licchavis dynasty (ca. 464-505 A.D.), in the temple of Changu Narayan in Kathmandu. The Licchavis dynasty ruled uninterruptedly for a span of 630 years. Amshuverma, an able administrator from the maternal side of the clan, opened trade with Tibet and married one of his daughters, Bhrikuti, to the Tibetan Emperor Srongbtsan Sgampo. Princess Bhrikuti undertook the task of spreading Buddhism in Tibet. In addition, an architect named Ari-Niko, who had accompanied her, is officially credited with

spreading pagoda-style architecture to Tibet and China, then to Northeast Asia. Amshuverma was mentioned in the account of the Chinese traveller, Hiuen Tsang, who visited India during the 7th century. Narendra-deva, grandson of Amshuverma, dispatched missions to Lhasa and China, and Tang annals testify to the establishment of a Chinese Embassy in Kathmandu in 646 A.D.¹⁰

Narendra-deva's successor established matrimonial alliance with the Indian princess.

The Licchavis rule in Kathmandu is thus something of a bridge between India and China. An interwoven version of Hindu and Buddhist culture was transformed and passed on to Tibet and China. One French scholar of oriental art has acclaimed Nepalese art and culture by stating: "Nepalese architectural styles have influenced several other Asian countries including China, Burma, and India."¹¹ The Licchavis dynasty collapsed in 880 and was followed by the Vishyas dynasty. During this period of Buddhist Tantrism, Shiva Tantrik schools and Mahayana Buddhism continued to spread. The Vishyas were in turn supplanted by the Mallas in the 12th century.

The Mallas trace their ancestry to Karnataka in South India. The early Mallas were subjected to several invasions from the west and the south, and the Khas Mallas (another dynasty) thrice invaded the Kathmandu valley. They (Khas Mallas) had established a powerful Kingdom comprising the Karnali basin and western Tibet by the 11th century. The Khas Mallas' power disintegrated towards the last quarter of the 14th century and the vast kingdom fragmented into twenty-two principalities called the

Baise. A second incursion occurred in 1350, when Sultan Shumsuddin Illiyas, the Muslim ruler of Bengal, invaded the valley, but he retreated within a week because his men could not endure the cold.

Malla rule in the Kathmandu valley contributed to the maturation of a distinctive Nepalese art and culture. However, in 1484, Malla rule disintegrated into three kingdoms, a weakness which hastened their decline. These kingdoms were once again unified through conquest by King Prithvinarayan Shaha (1769-1775) of Gorkha, who foresaw the need to unify the twenty two principalities of the Karnali basin and twenty four principalities of the Gandaki region to ensure survival of a Nepalese nation. The modern history of Nepal begins from the reign of King Prithvinarayan Shaha. King Birendra Bir Bickram Shaha, the present King of Nepal, is tenth in line of the Shaha Kings of Nepal. He ascended the throne on January 31, 1972.

In Nepal Indo-Aryan influence is most prominent in the religion. The people were historically divided into four castes in accordance with ancient Hindu institutions. The four castes were the Kshatriyas or the warrior class, the Brahmin or the priestly class, the Vaisyas, who were engaged in trade, commerce, and agriculture, and lastly the Sudras, who were assigned menial jobs. However, the class system in Nepal has never taken root in the classical orthodox form, in large part because of intra-cultural merging.¹² The class system has long since been abolished, and intermarriage between various castes has become a common feature of modern Nepalese society, thus fostering social and racial

integration.

The cultural distinctiveness of Nepal has naturally reinforced a separate identity in the minds of the Nepalese. In addition, a series of other factors, including failures of Indian Hindu states to deter repeated Muslim invasions, from Afghanistan and central Asia, the absorption of India into Muslim Mogul Empire, and the domination and colonialization of India by the British East India Company, no doubt created a sense of superiority in the minds of Nepal's earlier rulers. This feeling reinforced the drive for Nepal's political separation from India.

Nepal is the only official Hindu kingdom in the world. The Hindu account for 87.7 percent, while Buddhists, and Muslims and Christians combined account respectively for 9.7 and 2.6 percent of the total population.¹³ Buddhism and Hinduism in Nepal are practiced side-by-side, and each draws on each other's spiritual traditions.

The Madhises or the people of the plains inhabiting the Terai region are more akin to Indian inhabitants of the border regions in appearance, language, and customs. They have not been fully assimilated, and they remain heavily influenced by their neighbors because of the remoteness of Kathmandu and the proximity of India. The Terai, which was originally covered by tropical forests consisting of commercial timber, herbs, and Catechu, was until recently inhospitable and infested with a virulent form of malaria. The eradication of the disease and pressures from the populated midland have made recent resettlement in Terai possible and even

desirable.

This phenomenon underscores one of Nepal's unique aspects, the ethnological patterns of settlement influenced by preference for living within a particular range of altitudes. Thus, one finds people of Tibetan origin living at higher elevations, the original inhabitants of Nepal having been pushed by the later-arriving Indo-Nepalese Aryans to regions above 1,500 meters. The Terai, which was previously sparsely populated, was settled by Indian coolies, who had come to work in the timber contracts beginning in the early 19th century. The midland was settled by earlier Indo-Aryan immigrants. Now Terai is subjected both to population pressure from India and from the Nepalese midland.

Nepal today is a constitutional monarchy, and the government is drawn from members of the National Legislature (Rastriya Panchayat). The partyless Panchayat system was introduced by King Mahendra in 1962 following a decade-long experiment with parties and western-style parliamentary democracy. From that experience the King concluded that a parliamentary form of government was not compatible with the Nepalese tradition and that Nepal was not ready for western-style (Westminister) parliamentary institutions. The Panchayat system of government is organized into three tiers: the lowest is the village, or Town Panchayat, the second is the District Panchayat, and the highest is Rastriya (National) Panchayat. The Rastriya Panchayat, or National Legislature, consists of 140 members, 122 of whom are directly elected by the people of 75 districts, with the remaining twenty eight (20 percent

of the total) nominated by His Majesty the King. The nominees represent prominent public figures from all walks of life. A national referendum carried out on May 2, 1980 reflected popular desire for the "party less panchayat democracy with suitable reforms."¹⁴ The most significant reform provided for the election of a Prime Minister responsible to the national legislature and thus to the people.

The unitary system of government is based on the village assembly which represents either a single village or a group of villages with populations of 2,000 or more. The village assembly elects an eleven-member executive committee called the Village Panchayat. Similarly a town with 10,000 or more people has a Town Panchayat. Every Nepalese citizen over 21 years of age is a member of a village or town assembly. Nepal's Panchayat system has demonstrated effectiveness in a country of Nepal's size and historical circumstances. Neither of the two methods of government chosen by her neighbors seems appropriate. Only 20 percent of Nepal's people are literate, and there is only limited experience with representative government; therefore, the Panchayat system appears to offer a government responsive to the needs of the people.

The Panchayat system is described as democracy from the grass roots. It has been instrumental in instilling social and political awareness in the people. The system has also engendered a common sense of national identity in an otherwise culturally diverse society.

Nepal's entry in the international arena is recent. Before 1951, Nepal was a forbidden land. Regional developments such as the independence of India in 1947 and the taking over of Tibet by Communist China in 1951 greatly influenced Nepal's desire to break out of its diplomatic isolation. In 1951, Nepal had diplomatic relations with only four nations: India, Britain, France, and the United States. Today Nepal has relations with more than 80 countries. Nepal joined the United Nations in 1955 and in the same year participated in the 29-nation Bandung Conference.

Nepal advocates world peace as a prerequisite for attaining a new international economic order. Nepal adheres to the five principles of "Pancha Sheel," or the five principles of peaceful co-existence.¹⁵ Nepal is one of the founding members of the Non-Aligned Movement, and Nepalese foreign policy is based on the principles of non-alignment. Nepal has continued to have unflinching faith in the ideals of United Nations and views the U.N. as the only instrument for safeguarding mankind's future. One illustration of this faith has been the commitment of Royal Nepalese Army contingents to peace keeping missions in conflict areas such as Lebanon, Kashmir, and the Sinai.

Nepal advocates a New International Economic Order, the purpose of which is to close the gap between the rich and the poor nations. The New Economic Order encourages the developed nations to participate in the development of the developing countries. It also opposes the use of force in international conflicts and supports general and complete disarmament. Nepal has suggested

appropriate measures to share the resources of the sea bed and ocean floors. It has realized that the economic requirements of interdependence would invariably strengthen independence without necessitating any alliance or sphere of influence politics. Nepal's "open door policy" of extending friendship is exhibited by the maintenance of cordial diplomatic relations with Israel while receiving financial aid from Kuwait.

Nepal has many problems obstructing its path to development. However, economic development naturally requires a peaceful international environment. His Majesty King Birendra, realizing this prerequisite for development, has proposed Nepal be declared a "zone of peace."

Nepal has a predominantly agrarian economy. More than 90 percent of the population depends on agriculture. His Majesty's Government is seeking ways to diversify the economy by developing cottage and small scale industries. In Nepal, small landowners and farmers tend to be better off than their Indian counterparts mainly because the failure of the monsoon to appear does not mean famine. The higher elevation of the land allows a variety of produce, almost all of which can be exported to India. On the other hand, because of a shortage of roads, produce cannot be transported cheaply, and the development of industries is difficult. Nepal's industry is still in its infancy and is overshadowed by industries established in India. Furthermore, industrial products require markets, and the Nepalese domestic market is not sufficiently large to absorb domestic production.

Exports and imports are totally dependent on overland routes via India. Successive trade and transit treaties between the two countries have not particularly favored Nepal. A road constructed to the Tibetan border has not reduced Nepal's dependence on India. At present, the Indian government allows port facilities at Calcutta to be used for goods destined to and from Nepal, and Bangladesh has welcomed the use of Chittagong; however, 25 kilometers of Indian corridor stretches between Nepal and Bangladesh.

As mentioned, road networks in Nepal are far from adequate. Road building has proven difficult and a drain on meager resources. Longitudinal roads are necessary for administrative and political purposes, while north-south roads are essential for economical reasons.

India is Nepal's largest trading partner, and Nepal absorbs a significant proportion of Indian industrial commodities. Nepal is now diversifying her trade mainly to reduce deficits in the balance of trade with India. Trade with third countries brings in valuable foreign exchange.

Even though nature has been niggardly in granting mineral resources, Nepal is endowed with "white coal," or hydro-electricity. Nepal's hydro-electric capacity is estimated to be about 83,000 megawatts, one of the largest in the world.¹⁶ Nepal could provide cheap energy to Northern India, Bangladesh, China, and even Pakistan. A joint venture in this area could well provide all participants with sufficient water resources and river

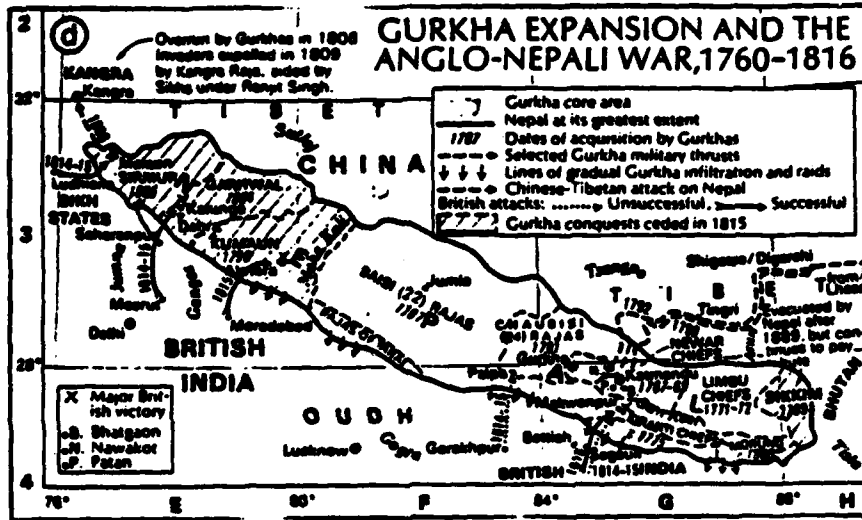
navigation. The rivers of Nepal are the major tributaries of the Ganges, therefore there is need for close co-ordination between India and Nepal. Nepal has a weak bargaining position, but the stakes are high and the rewards of any successful agreement could benefit all the countries in the region.

END NOTES

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2. Nepal and China settled all outstanding border disputes in October 1961, including differences over Mount Everest. See Rama Kant, Nepal China and India (New Delhi: Abhinav Publications, 1976), pp. 182-184.
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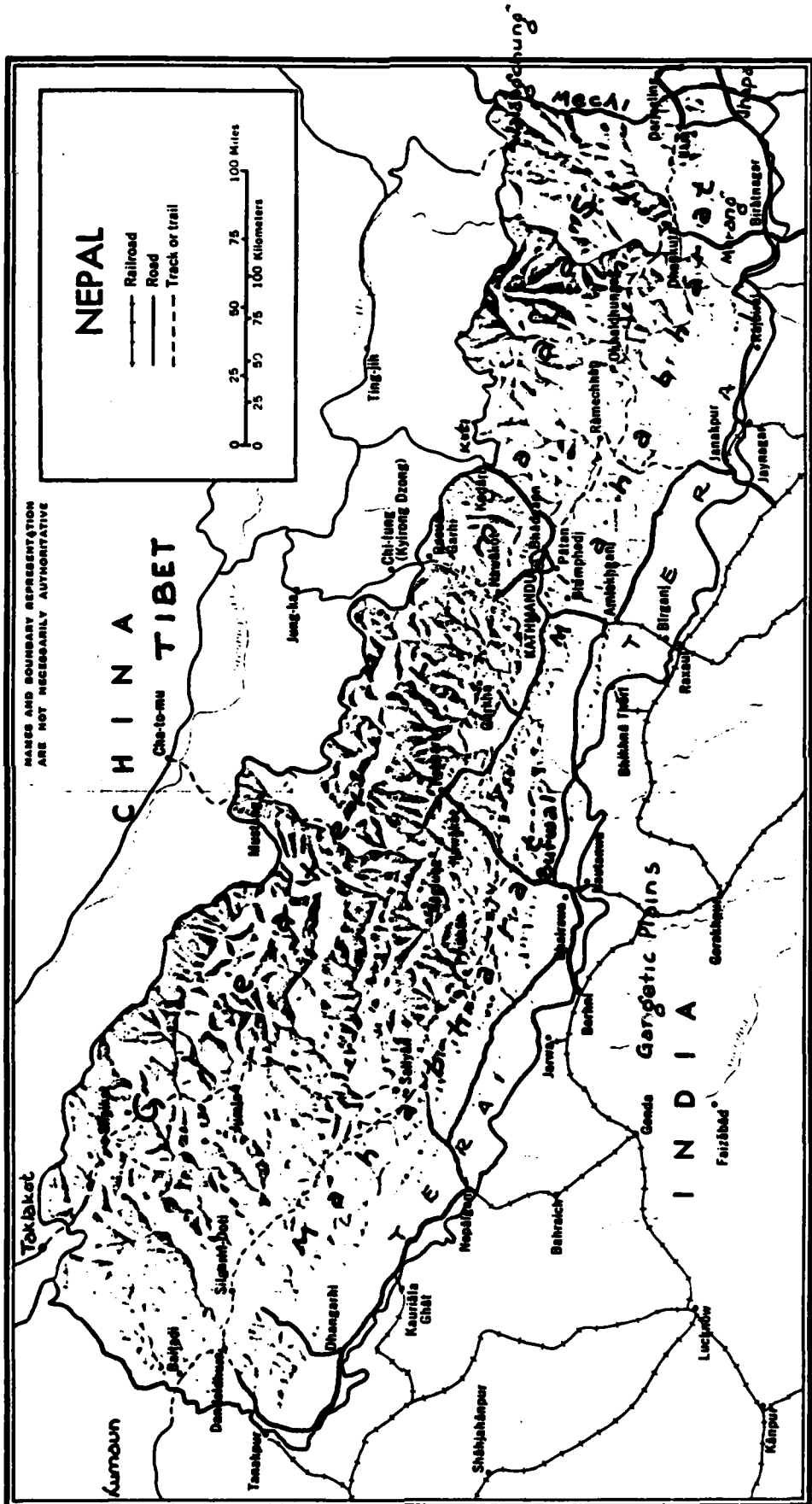
15. The five principles of Peaceful Co-Existence were first advocated by Prime Minister Jawaharlal Nehru of India and Zhou En Lai, the Chinese Premier, as a basic guide to establishing relationships between two countries and the rest of the world. The five principles are (1) Mutual respect for each other, territorial integrity and sovereignty; (2) non-aggression; (3) non-interference in each other's internal affairs; (4) equality and mutual benefit; and (5) peaceful co-existence. See Hubert Hefner, "Peking's Drive for Empire: The New Expansionism," in Deveve E. Pentony, ed., China: The Emerging Red Giant (San Fransisco: Chandler Publishing Company, 1962), pp. 53-54.

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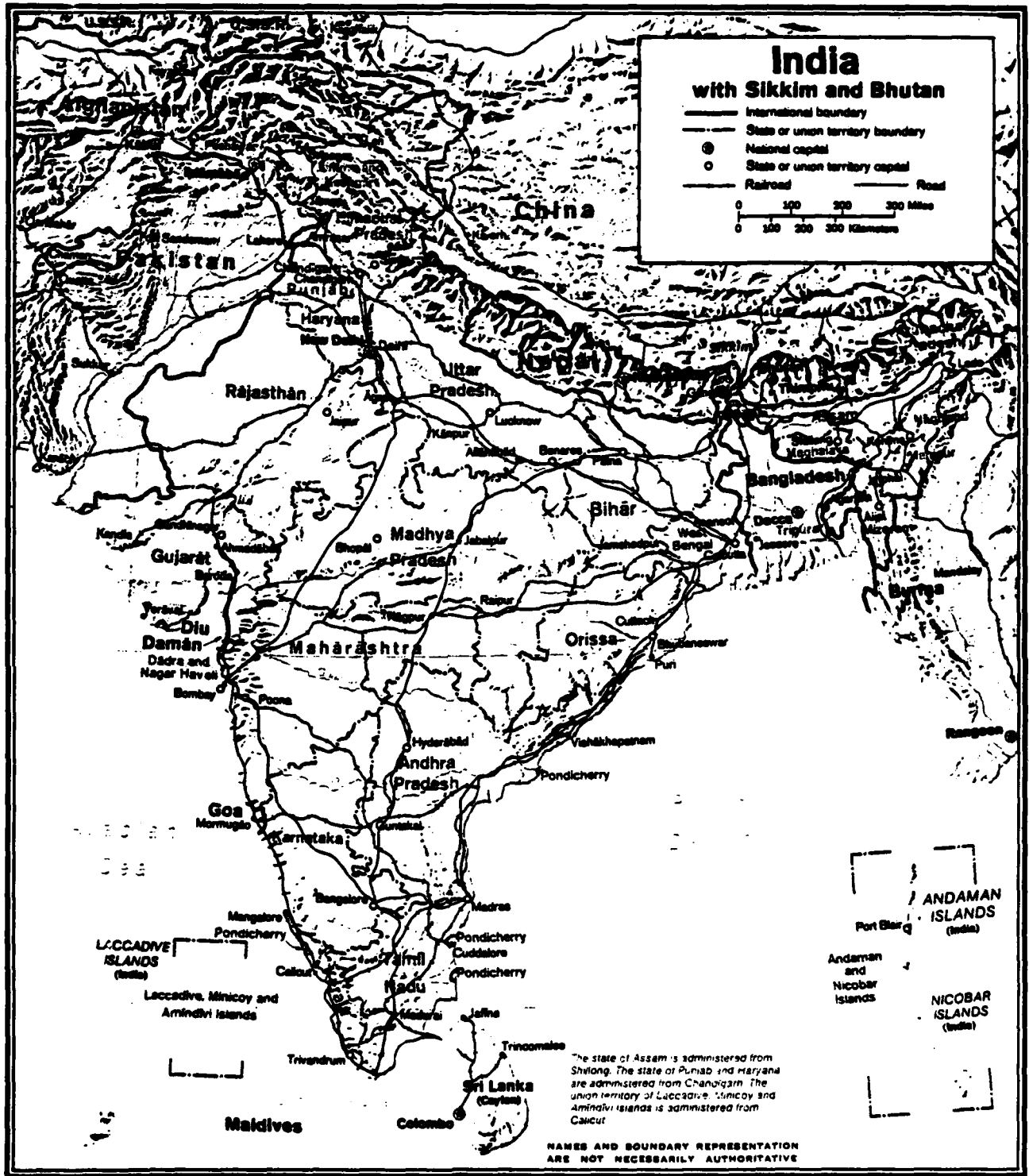
Map: 1

SOURCE: Historical Atlas of South Asia, p. 55.



Map: 2

SOURCE: Central Intelligence Agency.



Map: 3

SOURCE: Central Intelligence Agency.

CHAPTER II

"YAM BETWEEN TWO STONES"

The origin of the basic principle of Nepalese foreign policy can be traced to the founder of the Kingdom of Nepal, King Prithvinarayan Shaha (1743-1755 A.D.). The growing power of the British East India Company caused him to conclude that Great Britain was in the process of building an empire in the Indian subcontinent. Subsequent events, including the growing British commercial and military presence in India, confirmed his judgement.¹ King Prithvinarayan Shaha summerized the difficulty inherent in Nepal's foreign policy by stating:

"This Kingdom [Nepal] is like a tarul [Yam] between two stones. Great Friendship should be maintained with the Chinese Emperor. Friendship should also be maintained with the Emperor of the Southern Seas [the British] but he is clever. He has kept India suppressed. He is entrenching himself in the plains ...Do not engage in an offensive attack, fighting should be done on a defensive basis...If it is found difficult to resist in the fight, then every means of penetration, tact, and deceit should be employed."²

King Prithvinarayan Shaha was aware of the British "divide and rule" strategy and foresaw the requirement to unify Nepal's forty six principalities to remain independent. These principalities were more or less within the territorial limits of what accounts for present-day Nepal. The task of unification had already begun in 1744 with the capture of Nuwakot, an important Tibetan trade route center. The valley of Kathmandu was captured in 1768, after the Nepalese had established control over its major choke points. During the campaign, the King of Kathmandu had requested British

help, but in 1767, a contingent led by a Major Kinloch was defeated. This was the first Nepalese military contact with the British. After the death of King Prithvinarayan Shaha, the process of unification was completed between 1785 and 1794 by his brother, Bahadur Shaha, who acted as the regent to minor King Rana Bahadur Shaha.³ The consolidation of the Gorkha Empire soon spilled over into adjoining hill territories, especially to the north, east, and west (see map 1). The conquest of territories up to the Tista river in the east disrupted British plans to open a trade route to Tibet via Morang and Sikkim in 1773-1774. The British East India Company, originally established to promote trade and commerce, fell prey to the popular notion that "Tibet was a land of gold and silver." The British had repeatedly tried to reconnoiter an alternate trade route to Tibet and, after the failure of the Kinloch expedition in 1746, their interest was transformed into passion to secure "a piece of the pie," which was otherwise monopolized by Nepal.⁴ After the conquest of the three Kathmandu principalities in 1769-1770, a British trade mission led by James Login failed to negotiate British participation in the trans-Himalayan trade.

At issue was access to such strategic routes as the Kerong Pass. As early as the end of the sixth century this pass had been the major avenue between Tibet and Nepal. In the words of Rose and Fisher, authorities in South Asian affairs:

The opening of the Kerong Pass radically changed Kathmandu valley from a remote corner to a strategic way station, allowing it to exercise a high degree

of control over the markets of India and those beyond the high Himalayas. This position has vitally affected Nepal's subsequent history down to the present day.⁵

Kathmandu thrived as an entrepot for trade and enjoyed considerable revenue from transit taxes. In July 1788, Nepal embarked on the conquest of four districts in southern Tibet, including Kuti and the Kerong Pass, both of which were important from a strategic and defensive point of view. Chinese intervention never materialized, and Tibet agreed to treaty terms laid down by Nepal. The most significant clause of the treaty (1789) was an annual levy of 300 ingots (dotsed) of silver.⁶ Trans-Himalayan trade was to be channeled solely through Nepal, which meant closing the alternate Bhutan route.⁷ Terms of the treaty also granted broad commercial concessions to Nepalese traders in both Tsang and Lhasa.⁸ Despite initial success, the arrangement was doomed to failure from the start, first because the annual payment was too stiff, and second because the court of Nepal was divided on the issue of Tibet. The Young King Rana Bhadur Shaha was coming of age, and regent Bahadur Shaha's influence was on the wane. Relations between the two countries deteriorated in 1791, after Tibet dispatched emissaries to Kathmandu to renounce the treaty and demand its amendment. A Nepalese contingent of 4,000 quickly consolidated previous gains at Kuti and marched to the banks of Brahmaputra (Tsangpo) to threaten Lhasa.⁹

The Nepalese control of Tashilhunpo, the political center of Tsang province, and the proximity of foreign troops to Lhasa

offered the Chinese Emperor an opportunity to intervene and thus set in motion a grand strategic design concerning both Tibet and Nepal. An interventionist China could exert more influence over Tibet, in addition to severing Tibet-Nepal economic ties. Intervention also afforded China an opportunity to teach Nepal a lesson and bring it into the Chinese sphere of influence.

From the beginning the Chinese intent to intervene militarily was clear. However, every means was used to mislead the Nepalese. China undertook a diplomatic initiative; letters were dispatched to Sikkim, Bhutan, and the British proposing a united assault to punish the Nepalese. The Chinese dispatched messages to the Nepalese commander which encouraged Nepalese authorities to believe the Chinese desired to negotiate, but actually the Chinese were buying time. Meanwhile, the Chinese Emperor summoned his most brilliant military commander to lead a joint force of nearly 16,000 to defeat the Gorkhalis.¹⁰

As war with China became imminent, Nepal requested British support. Nepalese authorities were late in determining Chinese intent, and the Chinese refused to believe Nepal's greatly emphasized "British card." Once the requested British military help did not materialize, Chinese zeal to settle the dispute became firm. In spite of heavy casualties, the Chinese were able to capture one Nepalese defensive position after another. However, decisive victory eluded the Chinese. After Nepal refused the humiliating terms dictated by Fu-Kang-an, the Chinese advanced to the vicinity of Nuwakot, about 20 miles from Kathmandu.¹¹

Malaria ravaged the Chinese forces, supplies were scarce, and lines of communication were long and vulnerable. Nepalese troops engaged in Eastern (Sikkim) and Western (Kumaun) campaigns were being recalled. While these were important factors in negotiations, Nepalese diplomatic skills and determination were also major contributory factors in a settlement reached on September 23, 1792. The terms of the formal China-Nepal treaty can be briefly summarized as follows:

1) Tibet and Nepal were to live in harmony, and any conflict between the two was to be reported to the Chinese Amban (Ambassador at Lhasa) for settlement.

2) Five annual missions from Kathmandu to the court of Beijing and exchange of gifts between the Emperor of China and King of Nepal were to be continued.

3) A realignment of Nepal-Tibet boundary was planned with Chinese assistance.

4) A promise was made by China to come to aid of Nepal in the event Nepal was threatened by a foreign power.

5) The conduct of trade and commerce between Nepal and Tibet was to accord with custom.¹²

Thus, the terms of the agreement scarcely changed existing relations among the three countries. It must be noted here that gifts had been exchanged between earlier Kings of Kathmandu and the Emperor of China as early as 647 A.D., and that conflict arising from commercial interests between Tibet and Nepal had been frequent in the past.¹³ The real loser in the war was Tibet, where China began to exercise greater control, at least temporarily. For China it was an expensive war across the Himalayas which failed to achieve positive results and adversely affected future Chinese

willingness to intervene in Nepal-Tibet affairs.

For the Nepalese the outcome of the war was mixed. Apart from the loss of strategic areas in the Kuti and Kerong sectors, there was scarcely any loss of territory or any reduction of existing commercial rights. However, as Nepalese policy underwent adjustment, hopes of improving trans-Himalayan trade had to be postponed, especially as Chinese control in Tibet tightened.

The second significant effect of the Sino-Nepalese war resulted from British failure to provide Nepal with military assistance against the Chinese. The Nepalese attitude now became anti-British and pro-Chinese. The British had been reluctant to assist Nepal because of larger British trade interests with China. Governor General Cornwallis did make an attempt to grasp the fleeting opportunity. In February 1793, a British military mission under Captain William Kirkpatrick was dispatched to mediate and gather intelligence about Nepal. The military mission arrived too late to arbitrate and, sensing the hostility of Nepalese, soon departed. However, Kirkpatrick was able to collect valuable information regarding Nepal.¹⁴

The conclusion of the Sino-Nepalese war also contributed to the fall of regent Bahadur Shaha in 1794. Under mysterious circumstances, he was arrested and died while in captivity. In the post-1792 period, Nepal reverted to the foreign policy line laid down by the late King Prithvinarayan Shaha, who had emphasized minimal contact with the British while maintaining a non-threatening posture toward Tibet in order not to provoke China.

The most significant aspect of the post Sino-Nepalese war was the existence of a continuing Nepalese mission to Beijing, a fact of which Calcutta was aware. Despite prevailing anti-British sentiment in Kathmandu, the British East India Company continued to grab every opportunity to bring Nepal within the British fold.

It was internal political turmoil in Kathmandu which finally presented the East India Company an opportunity for greater leverage in Nepal. In 1799 politics in Kathmandu fell victim to palace intrigue. King Rana Bahadur Shaha abdicated in favor of his one-and-a-half year old second son, which necessitated a regency. On the death of Regent Queen mother, two additional queens along with court officials vied for power. Internal turmoil persisted until the assassination of the former King, Rana Bahadur Shaha, on May 24, 1806.¹⁵

The installation of Bhim Sen Thapa as the Prime Minister by King Rana Bahadur Shaha shortly before his assassination opened a new chapter in the history of Nepal. The King and the new Prime Minister had concluded while in Indian exile that confrontation with the English was inevitable. To forestall conflict, the exiles discussed a possible alliance with other Indian states of Gwalior, Scindia, and Holkar. Meanwhile, the army underwent drastic reorganization and measures were instituted to increase government revenue by territorial expansion.

Because trans-Himalayan trade had dwindled, the government had to find alternate means of income. A British secret report of 1786 estimated that Nepal earned about 250,000 rupees through taxation

on goods in the Indo-Tibet trade.¹⁶ Kirkpatrick had reported in his intelligence summary (in 1798) that Nepal's earnings from import duty and bullion purchase amounted to nearly thirty percent of total government revenue.¹⁷ Although Nepalese coinage had ceased circulation in Tibet after the Sino-Nepalese war, the possibility of its reintroduction was explored, then discarded once the Chinese ambassador showed no interest. However, land reform measures met with great success and led to an increase of revenue which greatly contributed to the military program.

Even though northern expansion was thwarted by the Chinese, between 1804 and 1814 Nepalese expansion in the west proceeded at a rapid rate. By 1809 Nepal had conquered the hill tracts east of the Sutlej River except Kangra (see map 1). Nepal's westward drive was finally checked by a Kangra-Sikh alliance. The Sikh ruler of Punjab made overtures favoring a Gorkha-Sikh alliance, but the Prime Minister, Bhim Sen Thapa, decided against such a venture. This was perhaps a major strategic mistake for Nepal because an Anglo-Sikh alliance soon followed. Later, when Nepal approached the Sikh leader, Ranjit Singh, he was unreceptive to a proposed alliance.¹⁸

The British viewed Nepal's expansionist zeal with alarm and concern. Rose understood the implications of Nepalese territorial expansion when he wrote:

A unified hill state, subordinate to the Gorkha dynasty appeared to be an imminent possibility, an achievement that might well have altered the future, not only for Nepal, but of India.¹⁹

Calcutta was quick to understand the consequences of growing Nepalese power, especially since Nepal was strategically situated to strike at the heart of British India, and thus sever the British East India Company's lines of communication. British intentions to secure the north-western region against a possible Napoleonic and Russian invasion of India ran counter to Nepal's desire to resist British expansion in northern India. The British also feared the possibility of a Franco-Nepalese alliance, mainly because Nepal had employed Frenchmen in the reorganization of its army.²⁰ However, from Nepal's perspective, Chinese diplomatic and military support remained more important than French aid.

During the earlier process of unification, Nepal had absorbed the Gangetic plains. The Terai area comprised a "no man's land" which, while belonging to the Nawab of Oudh, was traditionally under control of the hill principalities, who paid nominal rent to the Nawab (Muslim ruler). The conquest of the principalities indirectly made the new masters, the Gorkha dynasty, the rightful inheritors. The British, who had by now assumed a new position as overlords of the Nawab, refused to acknowledge Gorkha's sovereignty over these rich rice lands. The East India Company demanded that the Nepalese government accept some sort of tributary status under the British for utilization of the land. The Government of Nepal refused to comply.

By the mid 18th century, the Company had assumed a powerful position in the Indian subcontinent. The disintegration of the once powerful Mogul Empire had paved the way for European conquest.

In 1761, the contest for power between France and England in India was resolved with final destruction of the French outpost of Pondicherry in South India.²¹ Subsequently, the British East India Company grew rapidly in influence, and the Company was determined to be the sole power in the Indian subcontinent. Major Wingate remarked: "The British Indian Empire consolidation of power in India was virtually achieved by its own financial resources."²² The British strategem was based on "divide and rule." Every assistance the Company rendered to disparate Indian states carried with it a "price to pay."

Although previous British forays into Nepal had met with a notable lack of success, the situation in the Terai allowed the British to apply their divide and rule strategem in more forceful fashion. The drive to deprive Nepal of its military potential can also be seen as a method of setting an example to other disgruntled Indian states. However, during the campaign of 1814 the British met with a series of setbacks, which provided them with a lasting impression of Gorkha military capabilities.²³ The campaign was postponed indefinitely, mainly because Lord Wellesley, the Governor General of India, wanted to pursue a status-quo policy in Northern India. The idea was simply to deter future anti-British coalitions. At the time, Napoleon still attracted the lion's share of attention and the British were unable to take punitive action.

However, by 1816 the situation had changed. Napoleon was in exile, and the British had concluded a treaty with Ranjit Singh, the Sikh ruler in 1809. There was also a change in attitude in

Calcutta. The Earl of Moira replaced Lord Minto as the new Governor General of India, and a new offensive was planned before Nepal had time to consolidate its administration of the western hills.

The Government of Nepal was also over-extended in its dealings with the British. The Prime Minister, Bhim Sen Thapa, a practitioner of court politics, was untutored in the intricacies of war and failed to grasp the determination of the British. The Nepalese lines of communication extended over difficult mountainous terrain, but Bhim Sen Thapa refused to heed council from field commanders by maintaining that "Nepal is a fort made by God."²⁴

The Government of Nepal received an ultimatum to recognize British jurisdiction over Butwal and Sheoraj territories in the Terai, and when Nepal refused, the British launched an offensive in the summer of 1816. The invading force consisted of 30,000 soldiers and 60 cannon divided into four columns with Kathmandu the objective.²⁵ However, General Ochterlony's column met with success. General Ochterlony, hero of the previous war against the Gorkhas in the Kumaun hills of 1814, applied superior tactics to bypass the main fortified defensive position in the Mahabharat range of mountains and threaten Kathmandu. The Nepalese had hoped to stop the British along the major avenue of approach with a fort in the Mahabharat range. The British commander refused to engage the fort. By skillful maneuver in difficult terrain, he rendered the fort ineffective. Failure of the defense prompted the Nepalese to sue for peace.

During 1814-1816, Nepal had attempted to obtain diplomatic, financial, and military support from China. In a letter to Beijing the Nepalese had indicated British determination to force a way into Tibet via Nepal, but the Chinese ambassador in Lhasa refused to believe in the aggressive nature of British plans. Nepal also conducted a diplomatic offensive in pursuit of joint alliances against the British with Tibet, Bhutan, and other powers in India, mainly the Sikhs and Marattahs.

Tibet under the Chinese influence offered prayers, while Bhutan exhibited a show of force along the India-Bhutan border that was insignificant to threaten the British. Sikh interest rose and fell with Nepal's fortunes. Even though Kathmandu's diplomatic initiatives met with failure, Kathmandu for a time entertained a grand design to drive the British from India and carve up the territories among the major powers in India. In early March 1815, the Prime Minister, Bhim Sen Thapa, dispatched a special envoy to state of Punjab with an ambitious thirteen point draft treaty. Apart from proposing joint military actions built around a Gorkha-Sikh alliance, the letters gave voice to the discontent which existed among British protectorates in former Indian states, including Schindia (Marattahs) in South India and Nawab of Oudh in North India. Point nine of the draft treaty stated:

After accomplishing all these (battle plans and victories), the Khalsa (Sikh) government will annex all the land lying between the Jumna and Ganges such as Delhi, Agra, Baneras, etc; excepting only such territories as belonged to the hill Rajahs (Prince) in the past. Kashipur, Rudrapur, Swapuaha, Belahath, and Nankanta formerly belonged to Kumaon.

The Gorkha will annex Bareilly, Western Nazimabad, Eastern Ganges area, the Norther Hazipur, Betiya, Tirhut, Mahanadi, Purnea, etc. The Marattahs will annex Musuddabad, Patna, Jharkhande, Gaya, Swathebinar from the Kingdom of Nawab Karsinu Ali Khah (the oudh Vizir), and in the South, all the British possessions, Tippu Sultan's former possession including Murang Pattan.²⁶

A major flaw in the grand strategy was the Nepalese inability to hold its Western defences. Lack of tangible success warned the Marattahs and Sikhs against further alienation of the British. Nepal was forced to ratify the earlier treaty of Sugauli signed on December 2, 1815.²⁷ The salient features of the treaty were based on the following points:

1. The following five territories were to be ceded to the British East India Company by Nepal:

- (1) The whole of the low lands between the rivers Kali and Rapti;
- (2) the whole of the low lands, with the exception of Butwal proper, lying between the rivers Rapti and Gandaki;
- (3) the whole of the low lands between the rivers Gandaki and Kosi;
- (4) all the low lands between the rivers Mechi and Tista;
- (5) and lastly all the territories within the hills east of river Mechi in the Sikkim sector.

2. Article five dealt with reconfirming the ceding of territories between Kumaon and Punjab.

3. By article four the British agreed to pay a sum of Rs two hundred thousand annually as pension to those chiefs of Nepal who were selected by the King of Nepal to receive the sum in lieu of the loss of their land grants.

4. Article eight required each government to appoint an accredited minister to reside in Calcutta and Kathmandu.

5. Article six made the British Government the final arbitrator in the event of any future dispute between Sikkim and Nepal.

6. Article seven prevented Nepal from employing any European or American in the service of Nepal without prior consent to the British.

The ratified treaty was handed to the British on March 4, 1816. The Anglo-Nepal war cost Nepal nearly one third of her territories. The outcome of the war altered the geopolitical balance of the region and can be summed up as follows:

1. The war drained resources from the British treasury which were nevertheless compensated for by the annexed Nepalese territories;
2. Nepal was strategically isolated: it forfeited a common boundary with the Sikh Kingdom and was now surrounded by British territories in the south, east, and the west;
3. Nepal was considerably reduced in size and outflanked by British territories so that it could not possibly pose a threat to the British Empire in the future;
4. The failure of Chinese Empire to come to Nepal's aid also demonstrated China's unwillingness to entangle itself in hostilities south of the Himalayas.

In the post-1814 period one can conclude that Nepalese foreign policy met with only partial success. True, Nepal was able to

maintain her sovereignty despite military engagements with two formidable neighbors. However, relations did not markedly improve even after the conclusion of hostilities. Bhim Sen Thapa remained in power, and a strong feeling of vengeance persisted in the minds of Nepalese policy makers. The first British resident to the court of Nepal, Mr. B. H. Hodgson, reported on the Nepalese attitude as follows: "The barometer of the Nepalese hostility against us rises and falls, with each rumor of our being in trouble with other states."²⁸ The British maintained a strong corps of 5,000 troops all along the frontier from Kosi to Gandaki river to monitor military activities in Nepal.²⁹ During the post-1816 period, it is believed that the Nepalese military preparedness even surpassed the former zenith of readiness attained during earlier conflicts.

Internal feuding up to 1837 forced Bhim Sen Thapa to revise his anti-British posture. The death of the queen mother, Tripura Sandari, a Thapa by birth, reduced his support. The British resident in Kathmandu was also involved both in internal politics and a conspiracy to remove Bhim Sen Thapa from power. Definite hostility seems to have existed between the British resident and the Prime Minister. Bhim Sen Thapa was removed from his office by King Rajendra Bickram Shaha in 1837, and again there was a drastic change in foreign policy. An Anti-British alliance was planned in grander scale, war hysteria once again gripped the land, and emissaries were dispatched to various states in India, Burma, Bhutan, and Afghanistan. Reports from emissaries indicated strong anti-British resentment, and the Nepalese attitude further hardened

towards the British. The new turn of events completely surprised the British, who had hoped annexation of the rich Terai land would force a reversal in the earlier Nepalese warlike attitude.

Governor General Auckland firmly believed that once again Nepal posed a great threat to British interests in India, but contemplated action at a more convenient date. However, the Commander-in-Chief of British India, General Fane, differed in his opinion and favored immediate action. He asserted that "...The British India Company had allowed a thorn to grow in her side, which must greatly paralyze her efforts elsewhere: and which it behooves her to pluck out and eradicate at the earliest favorable moment."³⁰ When the news of Anglo-Chinese conflict in the "opium war" of 1839-1841 reached Nepal, Nepal once again entertained the idea of a joint Sino-Nepalese offensive against the British. In a letter to Beijing, Nepal offered to attack the British in India and requested financial and military support. However, to Nepal's dismay, by the time the letter reached Beijing, the war was over. In addition, grim internal strife continued to plague the court of Nepal from 1841 to 1846 and greatly undermined Nepal's position as a military power in the Indian subcontinent.

The "Kot massacre" of 1846, in which all prominent nobles were assassinated by the order of Jung Bahadur Rana, opened a new era in Nepalese politics. Jung Bahadur Rana, an officer in the Nepalese Army, usurped power and began the rule of hereditary prime ministers by the Rana clan. He was a pragmatic man who recognized that continued hostilities would not be tolerated by Calcutta. The

major Indian states, including the Sikh Kingdom in Punjab and the Marattahs in central India, had already been absorbed by the British. He concluded that if Nepal was to avoid a similar fate it had to alter its relationship with Calcutta. His belief in the necessity of friendship with Britain became even more pronounced after a visit to England in 1851.

Because Nepal's traditional relationship with China was overshadowed by the growing influence of the British in Kathmandu, the quinquennial mission to the court of Beijing was postponed. Nepal had followed a non-interventionist policy towards Tibet from 1792 to 1846, but in 1853, when China fell into internal turmoil following the Taiping rebellion, and Nepal once again decided to renew its claims against Tibet. In this respect, Jung Bahadur's action was greatly favored by circumstances. He enjoyed broad power in Nepal (unlike his predecessor), his opponents had been virtually vanquished, and in 1853 Great Britain's attention was diverted by the Crimean War.

In 1854, Bahadur declared war on Tibet in order to acquire the strategic border areas of Kuti and Kerong. The reasons for war included alleged abuse to Nepalese during the quinquennial mission to Beijing, the maltreatment of Newari traders in Lhasa, the expulsion of the Nepalese Nayak (representative) from Lhasa on insufficient grounds, border violations in Kuti area, and the imposition of higher taxation on Nepalese goods in Tibet.

Tibetian efforts to negotiate the matter peacefully failed, and Nepal launched a two-pronged attack from Walangchung in the east to

Taklakot in the west. Kuti and Kerong were shortly captured. The treaty of 1856 which followed contained the following terms:

1. Tibet was required to pay Rs 10,000 annually to Nepal;
2. Tibet was assigned a status inferior to both China and Nepal;
3. Kathmandu assumed the role of protector to Tibet;
4. Nepalese traders in Tibet were given broad commercial benefits and exempted from tax.³¹

The Tibetan Government continued to pay annual tribute to Nepal until 1953 when Communist China's takeover of Tibet terminated the practice.³² Nepalese relations with British India remained cordial, although Nepalese officials remained anxious to regain former territories. This opportunity arose in 1857 when a wide-scale uprising (commonly termed the "Sepoy Mutiny" or the "First war of Independence") occurred in northern and central India. Nepal provided nearly 9,000 troops to quell the mutiny.³³ Nepal was suitably rewarded by the British, who in May 1858 restored to Nepal the plains from the River Karnali (Gogra) on the west to the British territory of Gorakhpur in the east.³⁴ The decision to send a Nepalese force despite strong sympathy for their Hindu brethren in the Indian revolt was largely a function of Jung Bahadur's desire for revenge: during the Anglo-Nepal war of 1814-1816, the Nawab of Oudh's predecessor had loaned the British twenty five million rupees to wage war against Nepal. Nepalese troops are believed to have looted and ransacked Lucknow, the capital of Oudh, as a form of repayment for the deeds of its former ruler.

From 1846 to 1951 Rana Oligarchy and the British Government in India continued to maintain a modus vivendi. The British were satisfied with arrangements respecting Kathmandu's isolationist policy and in general interfered neither in internal matters nor in the economy of Nepal. Nepal's desire to remain isolated was so strong that even the British were barred from areas of Nepal outside Kathmandu. The Ranas established their kin in virtually all posts in the government and the army. An isolationist policy served their vested interests and helped prolong their rule.

Following the Anglo-Nepal war the British were allowed to recruit Nepalese nationals to form the British Gorkha rifles as part of the British Indian Army. However, the practice was subject to changing Nepalese moods. After the death of Prime Minister Jung Bahadur in 1877, the British obtained the right to recruit Gorkhas (Nepalese) for their Indian Army without further hindrance. This was a major advantage for the British, because the revolt of 1857 had illustrated the limitations of Indian troops, especially within India. Rose and Scholz have elaborated on the importance of the Gorkha regiments to the security of British India by stating:

[The Gorkhas] became an increasingly important source of support for the British as the Indian nationalist movement gained in strength and capacity in the early twentieth century. The Gorkha regiments came to be viewed as the best and, more important, the most reliable units in the British Indian Army and were often used in confrontation with Indian political movements in preference to Indian or even British forces.³⁵

The increasing dependence of the British on the Gorkhas reinforced the leverage of the Rana dynasty. If India was the

"Pearl of the British Empire", then perhaps the Gorkhas could be regarded as its keepers. The recruitment of the Gorkhas for the British Indian Army also benefited the Nepalese Government: it brought economic advantages and new military skills to the isolated and underdeveloped hill regions of Nepal.

One of the major causes of the revolt in 1857 had been religion. But the Gorkhas (the majority of which were Hindus) were free from class prejudices in comparison with the Indians.³⁶ The Indian military caste was infested with the social prejudice usually associated with religion and class. The comparative absence of prejudice increased the value of the Gorkha soldier in India.

By 1870, the Tsarist Russian Empire had grown in stature and had begun to pursue an expansionist policy at the cost of her weaker neighbors such as Turkey, Persia, Afghanistan, Mongolia, and now Tibet. By 1860 the British began to express interest in an "open" Tibet policy. Russia was now seen as the major threat to British Empire in the Indian subcontinent.³⁷ In 1899 when Lord Curzon was appointed the new Viceroy of India, he visualized Nepal as a crucial instrument in the fight to offset closer Russo-Tibetian relations. Nepal became a willing ally exerting considerable influence in Lhasa.

To Nepal the importance of Trans-Himalayan trade had declined, mainly because of the influx of cheap goods as a result of the industrial revolution in England. In 1904, the Nepalese Prime Minister, Chandra Shumsher (1901-1929), was influential in

initiating the British Young Husband expedition which opened the most economical route via Sikkim to Tibet. However, the sudden British presence in Tibet had negative results: Britain had hoped to bring Tibet within its sphere but both Russia and Britain had to settle for the Chinese suzerainty of Tibet in 1907.³⁸

Although Manchu rule was on the decline at the time, opportunity favored a more prominent Chinese role in the Himalayan frontier regions. China laid claims to both Nepal and Tibet as vassals, an assertion completely unfounded in fact or precedent. The claim rested on the five yearly tributary missions sent to China which were nothing more than the embassies of one court to the other.³⁹ Nepal was quick to exploit the situation to its advantage. It was able to acquire modern breech loading rifles from the British to support a declaration that it was ready to intervene in Tibet if the Chinese presence there jeopardized the commercial interests of Nepal in accordance to the Treaty proviso of 1856. However, the British declined to accept other requests such as deletion of the term "Native State" used in reference to Nepal in the Imperial Gazetteer.⁴⁰ British action on the matter can be best understood as prompted by fear of Nepal undertaking a military step in Tibet, thereby unbalancing the fragile geopolitical balance.

Chandra Shumsher, in recognition of Nepalese military assistance during the First World War, was able to sign a treaty in 1923 with the British Indian Government recognizing Nepal's independent status. But this only gave de jure recognition to what

was already a de facto situation.⁴¹ This treaty also raised the status of the British resident to the ambassadorial level. The British also pledged to pay unconditionally the sum of one million rupees annually to the Government of Nepal. One of the most significant advantages of the treaty was that Nepal was granted the right to free and unrestricted import of materials including arms, ammunition, machinery, industrial equipments, and apparatus across the territory of British India. Toni Hagen, who has traveled extensively throughout the length and the breadth of Nepal, was well aware of the difficulties imposed by the landlocked nature of Nepal. He has written on the generous concession conceded by the British with regard to trade and transit facilities:

How generous this arrangement was the Nepalese realized for the first time when, in 1947 the rights of the British Indian Colonial Administration passed into the hands of the young Indian State. The difficulties put in the way of the Nepalese transit goods by certain Indian authorities did not always help to improve the relations between the two countries.⁴²

The contribution of Nepal to the Allied efforts during World War I was enormous. Nearly 200,000 Gorkhas of a population of five million served the Allied cause.⁴³ The Gorkhas fought in France, Gallipoli, Palestine, Baluchistan, Suez, Mesopotamia, and on the shores of the Caspian Sea.

The Simla Convention of 1914 virtually recognized the independence of Tibet, a British ploy intended to create a buffer between the Russians and the British Empire.⁴⁴ This did not resolve the contending conceptions of "forward policy" held by both

the Chinese and the British. However, the status-quo engendered by the conclusion of Simla Convention did foster peace in the Inter-Himalayan region for nearly 30 years.⁴⁵

These new developments encouraged Nepal to maintain more cordial relations with British India; this basic line was followed by succeeding Rana Prime Ministers until the independence of India in 1947. The Rana Prime Ministers continued to support British causes in India and abroad. As the "winds of war" wafted through Europe and Asia in the late 1930's, Nepal once again pledged its support to the United Kingdom. Nepal's contribution to the Allied cause in World War II far exceeded its First World War commitment. It is estimated that 300,000 Gorkhas in the Indian Army, including a considerable portion of the Royal Nepalese Army, fought during the Second World War.⁴⁶

However, the winds of nationalism were also gathering force in the former European colonies of Asia and Africa during the 1930s. In India, the British position soon became untenable. As the British position became shaky, so did the future of Rana Prime ministers in Nepal. In a desperate attempt to bolster their despotic regime, the Rana Ministers extracted from the British "most favored nation treatment." But initiatives in foreign policy did not reduce the general discontent, and the political climate in Nepal was far from favorable to the Rana regime. Apart from a general dissident movement, there were groups of other Rana families who wanted an end to the Rana autocratic rule. By the late 1940s, Nepal was on the brink of a nation-wide revolution, and

the new Indian Government was not prepared to support the Rana regime, although internal opposition was too formidable to ignore. However, for a time it seemed that the Indian Government harbored thoughts of supporting the Rana regime, because by 1950 India had begun to perceive the possibility of threat from Communist China, and New Delhi was concerned about maintaining stability in the strategic Himalayan region.

King Tribhuvan Bir Bickram Shaha (1906-1955), kept in seclusion of the Royal Palace in Kathmandu, had established contacts with underground groups opposed to the Rana regime. The fate of the Rana regime was sealed when, in November 1950, King Tribhuvan left the Palace with the royal family and took asylum at the Indian Embassy in Kathmandu. This event and the subsequent arrival of King Tribhuvan in New Delhi triggered a nation-wide armed revolt. In February 1951, diplomatic pressure from India, the United States, and Great Britain combined to end one hundred and four years of Rana oligarchic rule.

Nepal had from the period of its unification in 1776 to early 1951 not only been able to maintain its sovereignty, but had unsuccessfully tried to exert extra-territorial influence in the region. However, for all its efforts, Nepal's foreign policy was overshadowed by British India; both Governments' desires were identical: to be the dominant power in the Inter-Himalayan region. For a time, Nepal attempted to achieve its goals through military means, and finally, when the resort to arms failed, had used diplomatic means to achieve a balance of power between Britain and

Imperial China. The ultimate prize was Nepal's sovereignty.

The British were wise in not conquering Nepal and subjugating her to colonial status. Free Nepal became an indispensable ally, and in Nepal, Britain found valuable support for its overall interests in Asia. British hesitance to incorporate Nepal into the Empire can be attributed to the almost insurmountable effort required to administer the rugged mountainous terrain. The majority of Nepalese who were Hindu in religion had emigrated from India mainly to escape subjugation and conversion by Muslim invaders from the beginning of the 14th century. This realization also accounts for the continued suspicions harbored by Nepal towards Britain even after the Anglo-Nepal War of 1816. The British may have realized that Nepal confronted them with the almost impossible task of administering a hostile and warlike nation. For its part, the British Indian Government was completely satisfied with the voluntary seclusion demanded by Nepal, especially during the Rana regime. Such status not only assured maintenance of the status quo on the strategic frontiers, but also denied the encroachment of any foreign power.

The Simla convention had demonstrated China's weakness in playing an effective role in the region, and subsequently China ceased to be a consideration in the Inter-Himalayan region. The decline of Chinese influence and reduction of importance in Tibetan trade to the Nepalese economy shaped the course of Nepalese policy within the British sphere of influence. In 1947, Independent India was to replace the British presence in the

Inter-Himalayan region constituting the Kingdoms of Nepal, Bhutan, Sikkim, and Tibet. The last Rana Prime minister, Mohan Shumsher, had attempted to win the good will of the new Indian Government which was so critical to the survival of the regime. In 1948, when India became embroiled in communal violence in the largely Muslim populated states of Hyderabad and Kashmir, ten battalions of Royal Nepalese Army troops were dispatched to reinforce the overburdened Indian army.

India was not prepared to deal with an armed insurrection in Nepal; as a new nation it already had ample problems of its own. The Indian Government wanted a compromise between the Rana and the Nepalese Congress. The arrangement popularly known as the "Delhi settlement" was negotiated in New Delhi on November 27, 1950. The consequences of negotiations were as follows:

1. Convene at the earliest opportunity an elected constituent assembly to draw up a constitution for Nepal;
2. Provide some popular representation in the government pending the drafting and implementation of a constitution;
3. Accept King Tribhuvan as a King of Nepal.⁴⁷

The last clause needs some explanation. After King Tribhuvan had taken asylum in India, the Rana authority in desperation had installed a grandson, Prince Gynendra, on the throne. This was not acceptable to the people of Nepal. The Indian Government's firm desire to seek a "middle way" at the earliest opportunity in the wake of Communist victory in China in 1949 can be deduced from Prime Minister Jawaharlal Nehru's speech to the Indian Cabinet in

1950:

We have tried for what it is worth to advise Nepal to act in a manner so as to prevent any major upheaval. We have tried to find a way, a middle way, if you like, which will ensure the progress of Nepal and the introduction of some advance in the ways of democracy in Nepal. We have searched for a way which would at the same time, avoid the total uprooting of the ancient order.⁴⁸

The interim government consisting of equal Rana and Nepali Congress representation was an ideal "status quo" solution favored by the Indian Government. However, the coalition was doomed to failure right from the start, especially in a nation where the majority of the population failed to understand western parliamentary democracy. Furthermore, Nepal under the leadership of King Mahendra, who succeeded his father in 1955, was soon to realize that Nepal's future was not enhanced by alignment only with India. An "open door" policy and responsible membership in the community of nations seemed to offer greater promise.

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CHAPTER III

"BETWEEN THE DRAGON AND THE TIGER"

The post-1950 period posed serious political difficulties for Nepal. The vacuum created by over a century of Rana autocratic rule had precluded broadly-based political development. The complex geopolitical situation of the period posed serious challenges to the future survivability of the Himalayan Kingdoms. Mao-Tse-Tung in a speech¹ had strongly hinted at creating a Greater China on the basis of its historical "Middle Kingdom" concept, and some political leaders in India, especially Sardar Bhallabhai Patel, had strongly recommended incorporating Nepal, Bhutan, and Sikkim into the political administration of "Greater India."² The military invasion of Chamdo province in Eastern Tibet on May 10, 1950 seemed to confirm Chinese designs. The declaration by China of its traditional boundaries no doubt drew Nepal and India closer in the post-1950 period. According to the terms of the Sino-Indian Agreement of 1954, Jawaharlal Nehru, adhering to what he perceived as the higher goal of Afro-Asian solidarity, sacrificed both Tibetan sovereignty and its buffer role.³

Nehru's strongly held view was that cultivating Chinese friendship would offset Western influence, at least for the time being. However, there was strong opposition to the agreement within India. Even the Left Wing political parties voiced their opposition to the Indian position on the Tibetan question. This feeling shared by many Tibetophiles. Hugh Richardson, for example strongly criticized both the United Kingdom and India by stating:

... far from supporting the Tibetan appeal to the United Nations, [U.K. and India] took a leading part in obstructing it ... It must be recorded with shame that the United Kingdom delegate, pleading ignorance of the exact course of events and uncertainty about the legal position of Tibet, proposed that the matter be differed. That was supported by the delegate of India, the country most closely affected, and uniquely, bound to Tibet obligation, who expressed certainty that the differences could be settled by peaceful means which would safeguard Tibetan autonomy. Both the Soviet and Chinese Nationalist delegates opposed discussion on the ground that Tibet was an integral part of China.⁴

The British were polite in stating that Independent India had inherited the earlier British link with Tibet. India urged the Tibetians to settle differences peacefully even after creditable opposition to China had developed. The United States, which had begun to appreciate the global Communist menace, nevertheless refused to receive a Tibetan mission. This turbulent era was marked by the outbreak of the Korean War, and the attention of the Western world, particularly the United States, was diverted.⁵ Western leaders believed that the outbreak of Korean hostilities was a diversion by the Soviet Union, and that a major effort would soon be directed at Europe. In the light of these circumstances, Tibet was condemned to chart its own destiny.

Nepal, under the treaty commitment of 1854, was obliged to assist Tibet. But with its internal politics in turmoil during the last years of Rana regime, Nepal was unable to make any significant response to Tibetan requests. Nepal under the last Rana Prime-Minister, Mohan Shumsher, is thought to have contemplated sending a military force to Tibet, but since the future of the Rana

regime depended on the Indian government's goodwill, he was advised against such a measure.

The fall of the Rana regime did not bring the desired political tranquility to Nepal. All political parties operating in Nepal had failed to build strong party structures. According to Fisher and Rose, "in that period only three parties could possibly qualify as "National Parties"."⁶ Party recruitment lacked ideological motivation and loyalty was to leadership charisma rather than to party. There was little political consciousness among the general population. Nepal's difficult terrain and poor lines of communication made coordination and control of party branches difficult. His Majesty the late King, Mahendra Bir Bickram Shaha, who was then Crown Prince, remarked on the pathetic state of politics of in his National day address of February 18, 1955:

But it is a matter of great shame that we cannot even point to four important achievements we have made during this period [1951-1955]. If we say that democracy is still in its infancy, we have seen such qualities as selfishness, greed and jealousy, which are not to be found in an infant, and if we say that it has matured, unfortunately we do not see it flourishing anywhere.⁷

During this chaotic period of Nepalese politics, Indian influence was considerable, and the Indian government continued to interfere overtly in Nepalese domestic politics. Indian influence was naturally seen with distrust and concern. The Indian government's attitude towards Nepal can best be summarized by Prime Minister Nehru's speech to the 11th session of the Institute of Pacific Relations, Lucknow, on October 3, 1950:

Frankly, we do not, and shall not brook any foreign interference in Nepal no other country can have as intimate a relationship with Nepal as ours Therefore, much as we appreciate the independence of Nepal, we cannot allow anything to go wrong in Nepal or permit that barrier to be crossed or weakened, because that would be a risk to our security.⁸

This policy towards Nepal and a subsequent treaty of peace and friendship with the faltering Rana regime on July 31, 1950, provided the framework of Indian policy towards Nepal. This treaty is still regarded as the cornerstone of Indo-Nepalese relations.⁹

Nehru's speech reflected the paternalism of the times. Since China is the only other country bordering Nepal, his statement no doubt referred to China. It is interesting to note here that even after the signing of seventeen point Sino-Tibetian agreement in Peking¹⁰ on May 23, 1951, which sealed the fate of Tibet, the Indian government was unperturbed by the shifting balance of power in Asia. Furthermore, India under the leadership of Jawaharlal Nehru still lent credence to his euphoric phrase "Hindi Chini Bhai Bhai [Indians and Chinese are brothers]." Signs of strain in Sino-Indian relations began to show only after the flight of Dalai Lama¹¹ and failure to reach accord on the border question.¹²

The establishment of Tibet as a buffer state, a status so strenuously supported by the British Indian Government, was sacrificed by the Indian Government. The silence of that Government (even failures to mention developments) over Tibet naturally made the political leaders of Nepal apprehensive, not only about Chinese but about Indian motives as well. There was

strong suspicion that both China and India might have concluded a bargain delineating respective areas of influence, China in Tibet and India in Nepal.

Developments in Tibet raised strong apprehensions in Nepal that its sovereignty was threatened. Nepal in the early 1950s was not certain that the world recognized that British withdrawal in 1947 had left in its wake more nations than India and Pakistan on the subcontinent. But Nepal's efforts in the diplomatic arena were overshadowed by India's increasing involvement in succeeding years. Prime Minister Nehru's vision of Indian security owed much to the original British concept. That is, if Nepal were controlled by another power, the security of India would be jeopardized. His views were reflected in a statement to the Indian Parliament on December 6, 1950:

Our interest in the internal condition of Nepal has become still more acute and personal because of the developments across our borders, to be frank, especially those in China and Tibet. Besides our sympathetic interest in Nepal, we are also interested in the security of our own country. From time immemorial, the Himalayas have provided us with a magnificent frontier. Of course, they are no longer as impassable as they used to be but they are still fairly effective We cannot allow the barrier to be penetrated because it is the principal barrier to India. Therefore much as we appreciate the independence of Nepal, we cannot allow anything to go wrong in Nepal or permit that barrier to be weakened or crossed, because that would be a risk to our own security.¹³

Indian foreign policy during the period 1947-1955 not only lacked foresight in its dealings with neighboring countries but also failed to realize that these countries, especially Nepal, had

nationalistic and economic aspirations similar to India's. However, the concept of a special relationship was formulated in a draft aide memoir presented to the new interim government in the post-Rana era. The memoir read as follows:

1. The government would consult the government of India with regard to foreign policy and matters connected with foreign powers, while India too would consult Nepal in all matters related to the latter;
2. In particular, Nepal would consult India on all matters affecting Sino-Nepalese relations.
3. The Indian mission would, if and where Nepal so desired, represent the interests of Nepal and all Indian foreign missions would be instructed to give all possible help and assistance to Nepali nationals.
4. The two governments would from time to time exchange information relating to foreign affairs and relations with foreign countries in so far as they affected each other.¹⁴

Article 3 and 4 seem quite reasonable given the financial constraints in establishing diplomatic missions abroad; however, articles 1 and 2 of the draft seem irregular, especially in relations between two sovereign states. The Nepalese cabinet quite rightly saw fit to amend the first two points and also suggested that there should be an equal obligation on both governments regarding co-ordination of policy on the first two points. Furthermore, the Nepalese-amended draft also suggested that India should take Nepal into confidence not only on foreign matters concerning Nepal but also on matters pertaining to Sino-Indian relations. This was not what India desired. In effect, India wanted to pursue a foreign policy similar to that pursued with respect to the former Rana Prime-ministership in the post-1947

period. However, the matter ended abruptly with the sudden death of King Tribhuvan in early 1955.

By 1955, India already enjoyed several privileges in her relationship with Nepal. Two very important treaties had been signed on July 31, 1950. The Treaty of Defense and Friendship stipulated that the two governments would undertake to inform each other of any serious friction or misunderstanding with any neighboring states likely to cause any breach in the friendly relations subsisting between the two governments. [Emphasis added].¹⁵

The second treaty concerned trade and commerce, which will be discussed in more detail in a later chapter. In accordance with the treaty, the Indian Army established checkpoints along the Nepal-China border mostly for strategic and intelligence purposes.¹⁶ These "wireless nests" and the Indian Military Liaison Group which were in Nepal to train the Royal Nepalese Army were withdrawn in September 1969. Nepal's demand to withdraw the Indian Army outpost was seen as a positive step in the direction of a non-aligned foreign policy and an assertion of independence.

Nepal had already concluded that one of the means available to guarantee its survivability was diplomatic recognition. Even though Nepal and China had not established diplomatic relations when the Chinese consolidated their position in Tibet, the two countries now shared a common border. Furthermore, Nepalese nationals had enjoyed broad commercial interests in Lhasa since 1854. The government of India, on which Nepal had relied for

initiatives, did not encourage any positive gesture towards China until India itself had reached an understanding with China on Tibet and border issues. China, on her side, was hesitant about establishing diplomatic relations with Nepal even though successive governments since 1951 had voiced their strong support for this outcome. India had negotiated with China in April 1954 on the basis of the Five Principles of Peaceful Co-existence.¹⁷ This convinced Nepal to establish diplomatic relations based on the similar principles of Pancha Sheel.¹⁸ In 1956 the Chinese ambassador in New Delhi was finally accredited to Nepal after five days of negotiations. The Chinese Government also promised economic assistance to Nepal.¹⁹

Nepal's desire to discard its special relationship with India and to promote equal friendship with all was not an attempt to sideline its historic and cultural ties with India but a geopolitical necessity for reaching an acceptable accommodation with China. Nepal under King Mahendra had visualized a need for an independent identity which could only be possible through an independent foreign policy. Nepal no doubt found India an obstacle, and King Mahendra, after his ascendancy to the throne in 1955, wanted to assert Nepal's independence and foster its economic development. One observer, Ramakant, has described Nepalese foreign policy objectives in the following manner:

China occupied a very important place in King Mahendra's calculations. This was necessary because India has already readjusted its relationship with China. It was also inevitable because Nepal's quest of its national identity

had become intense in then prevailing competitive politics of Nepal. India could not satisfy Nepal's desire for international recognition. Indeed it was an obstacle. Nepal's bias towards China had thus become a national necessity.²⁰

Indian press and politicians both added "fuel to the fire" with respect to Indo-Nepalese relations by stating that "India must oversee Nepali independence and sovereignty."²¹ Since the inception of normal diplomatic relations between Kathmandu and Beijing, Nepal has pursued a strategy of political equidistance vis-a-vis New Delhi and Beijing. However, the Sino-Indian border conflict of October 1962 did arouse grave concern over ultimate Chinese aims in the Himalayan region. Nevertheless, Nepal remained aloof and brought pressure to bear on both parties to resolve their differences peacefully. Nepal's seeming inaction over the border incident became the subject of hot debate in India. A touchy situation was further aggravated by Marshal Chen-Yi's statement of October 5, 1962: "In case any foreign army makes a foolhardy attempt to attack Nepal. China will side with the Nepalese people."

In absence of any Indian military overtures this statement can be judged as the Chinese official view. But India, especially its media, failed to grasp Nepalese intention-the politics of equidistance. The Sino-Indian conflict illustrated to both India and Nepal the realities of mutual problems. According to Rishikesh Shaha:

What Sino-Indian hostilities taught Nepal was that she should so orient her policy as to emphasize her national identity. Only by doing so could she

stay away from conflicts herself and follow a policy of friendship with other countries.²²

The Indian Government's concern towards Nepal in the post-1960 period was expressed in a politically motivated policy which dampened relations between the two countries. After a succession of incompetent governments, His Majesty King Mahendra on August 8, 1955 proclaimed that Nepal's first general election would be held in October 1957. After considerable delay by the interim government, elections were finally held in 1959. The Nepali Congress, which won the election, was dismissed after nineteen months in office on December 15, 1960. There were a number of reasons for the dismissal of the Nepali Congress Government. The most important of these was its pro-Indian posture. A secondary reason was that the Party was filling all top bureaucratic positions with its supporters.²³ It reminded the Nepalese of the previous one hundred and four years of Rana despotic rule. The Nepali Congress, which was modeled along the ideals of Indian National Congress, had its origins in Indian soil. Any government of Nepal, after its declaration to pursue a non-aligned foreign policy (Pancha Sheel) could neither align itself nor indicate alignment with a second country.

It is appropriate here to discuss the dimensions of Indian influence in Nepal. The Indian Army's lack of success in the Sino-Indian border conflict in October 1962 had raised concerns about the security of Nepal. In 1963, the Nepalese Government then approached both the British and the American Governments in an

effort to seek defense diversity.²⁴ The British and American Governments received the request very cautiously, primarily because they did not want to offend New Delhi. After prolonged negotiations with India, the United States and the United Kingdom granted equal portions of military assistance amounting to US \$4 million, which began to arrive in Nepal in October 1964. Equipment consisted of light arms and support equipment. The Indian Government under the 1965 Arms agreement was to meet all the arms requirement for the Royal Nepalese Army. Further American and British assistance would be requested only when India was in no position to meet Nepalese demands. Since 1967, India has been the major source of arms procurement and training for officers and technicians of the Royal Nepalese Army.

The Nepalese Government in 1969 had demanded the abrogation of the 1950 treaty on the grounds that India had failed to inform Nepal about important developments in India's relations with the Soviet Union, the United States, Pakistan, and China, all of which had affected the general security of the Himalayan region. It would not be wrong to assert that Nepal's political objective in the future is to repudiate the 1950 treaty obligation as a positive expression of non-alignment once the 'Zone of Peace' proposal has been internationally acknowledged.

Certain inherent problems of the Indian Republic, especially the inadequacies experienced in assimilating various cultural, ethnic, and religious groups, have definitely resulted in what might be termed a claustrophobic complex. This is particularly

evident if one considers the persistence of hostilities between India and its neighbors, particularly China and Pakistan. At present India's relations with Sri Lanka and Bangladesh have soured, due respectively to the Farrakka Barrage stalemate and the Tamil issue. The Indian Government's desire to monopolize arms procurement for Nepal is perhaps based on a deep rooted fear of Nepal. As one prominent Indian writer, Mr. Gerilal Jain has remarked:

The brave Gorkha soldiers have merely to be given an idea and a gun and they can be a menace to India's security. The preservation of internal stability in Nepal, is, therefore of vital interest to India.²⁵

At present as many as 100,000 Gorkhas are in service in India.²⁶ It is also believed considerable number of Gorkhas serve in paramilitary organizations such as Border Security Forces, Assam Rifles, and Central Reserve Police Force. The Gorkhas serving in both Indian and the Nepalese forces constitute a strong bond between the two countries. It would not be impertinent to speculate that in the event of great hostilities between the two countries, the conflicting loyalties of these forces in India could undermine overall Indian security. The Indian Government no longer relies as heavily on the Gorkha troops as the British Indian Government did. Nevertheless, the Gorkha Brigades in the Indian Army constitute a vital force in the overall ground force order of battle.²⁷

The Indian fear of Nepal's falling in "hostile neighbor club" becomes more credible if one considers the additional ex-servicemen

from the British Army (which has a total of 6,000 troops) and twenty thousand members of the Royal Nepalese Army.²⁸ These fears will probably not be realized, given the close cultural and economic ties between India and Nepal, but the concept has begun to cause fear and suspicion in the minds of policy makers in New Delhi. The national assertiveness of Nepal is significant mainly because Nepal was never under a foreign colonial yoke. It has begun to gather momentum, particularly since the reign of King Mahendra in 1955. A major factor was Nepal's admission to the United Nations and the launching of a policy of equal friendship with all, especially in the establishment of diplomatic relations with China. This step clearly demonstrated the demise of Indian influence and marked the beginning of Nepal's independent foreign policy.

Another significant development which India perhaps views with concern is the growth of Pan-Nepalism. There is a considerable Nepalese population outside Nepal, especially in Almora, Dehra Dun, Naini Tal, Kumaun hills, Darjeeling, and in the state of Assam. There is a majority of Nepalese-origin population in the newly annexed state of Sikkim (60 percent of 167,000 Sikkimese)²⁹ and about 25-30 percent in Bhutan.³⁰ New Delhi saw Nepalese immigration to the Southeastern and Northeastern regions as a growth of Pan-Nepalism and possible threat to ethnic balance. Indian authorities subsequently put into effect restrictive measures such as the "permit system."³¹

The Indian Government has also taken steps to relocate the army

regimental centers of various units as a measure to prohibit a respective ethnic group from taking root in a particular area. The Indian Government's move in this particular circumstance can be viewed as a means of restricting the future spread of Pan-Nepalism. The British Army had formerly established Gorkha regimental centers in such northern Indian areas as Dehra Dun and Shillong and in Eastern India where the climate was similar to that in Nepal. (This author studied in Dehra Dun in the state of Uttar Pradesh in northern India from 1960 to 1968. Before 1968 there were five or six regimental centers in Dehra Dun, the 3rd, 5th, 8th, 9th, and 11th. He was able to observe the mushrooming of Gorkha colonies within the vicinity of the cantonments and noticed considerable Nepalese influence in the area.)

What made Nepal turn to China? Communist ideology was far from being attractive to the Monarchy. China has provided Nepal with an important political counterweight to India. Future economic advantages stemming from trade and tourism cannot be ruled out. In military terms Nepal has ceased to be of consequence to Tibet, and hence China does not perceive Nepal as a military threat.

For China Nepalese foreign policy has been compatible with its overall regional and international perspectives. The only possible threat to China from south of the Himalayas lies in cultural and religious ties between the people of Tibet and the exiled Dalai Lama and his followers, estimated at over 100,000.³² Tibetan refugees in India, Nepal, and Bhutan continue to be an important political vexation to China. However, the Free Tibet Movement will

probably not lead to a conflict of interest between Nepal and China,³³ at least not in the immediate future because Nepal has recognized Chinese sovereignty over Tibet and has carefully controlled the political activities of Tibetan refugees in Nepal.

While the Sino-Nepalese relations were based on reciprocal compromise, the Indo-Nepalese relations were respectively demanding, and were soon subject to stress and strain. As Rishikesh Shaha, former Nepalese foreign minister and representative to the United States and more recently an advocator of multi-party system, states: "The government of India at times did not even seem to regard Nepal as an equal and independent country."³⁴ This has naturally aroused strong sentiment in the minds of the proud people who have remained free while predominant Hindu India, much larger in size and population, had fallen prey to several Muslim invasions and finally to British domination.

India has expected the same rights and privileges in Nepal which the British once enjoyed, but Nepal had remained too long in isolation to let modernization pass by. Nepal wanted to share its destiny with the community of nations. However, India's contribution to the development of Nepal is considerable and she ranks highest amongst the foreign aid donors. In this context at times India feels offended or denounces actions taken by Nepal which may not be amenable to Indian interests. At times India has thrown caution and reason to the winds and has imposed economic sanctions which only serve to foster distrust of India. Nepal has paid a heavy economic and political price for its relationship with

India, considering total Nepalese dependence on Indian transit and the conduct of nearly 80 percent of Nepalese trade with India.

Rose stresses the point by stating:

Nepal has succeeded in creating a more positive international image abroad and had seemingly gained greater autonomy in policy making on some foreign policy issues...and the price paid both politically and economically was frequently very high.³⁵

It is accurate to state that China and particularly India greatly influence foreign policy decisions in Nepal. However, this admission does not imply alignment with either China or India. Shaha has described the Nepalese attitude towards both India and China by commenting that:

Historically, Nepal's relations with India have been much more intimate than with China. But while China is judged by its overt actions, India is judged more by its externally projected psychological image. What Nepal thinks India is doing is more important than what India actually does.³⁶

Indo-Nepalese relations began to show signs of stress and strain in the post-1960 period. The most significant pressure from India occurred after the Nepali-Congress elected government was dismissed by King Mahendra on December 15, 1960. The Nepali Congress was built on the model of the Indian National Congress and had strong ties with the latter. The Nepali Congress "fully expected to cherish similar objectives in Nepal for what had been achieved by the Indian Congress Party under Jawaharlal Nehru's leadership."³⁷ The Nepali Congress immediately launched terrorist and sabotage activities from within India with encouragement from New Delhi. So strong was India's reaction that Prime Minister

Nehru went beyond the norms of diplomatic etiquette by stating:

"It is a matter for regret for all of us that a democratic experiment or practice that was going on has suffered a setback."³⁸

India had failed to realize that Western model parliamentary democracy was unsuitable to the population of Nepal. Furthermore, if India could support the Royal regime in Sikkim and Bhutan then why did it hesitate to recognize the authority of monarchy in Nepal? To the Nepalese, the Crown has always contributed to the Unity of diverse groups and is widely revered as a symbol of Nepal and the Nepalese.

China provided the answer. Nepal maintained cordial relations with India, and pursued an "equal friendship" policy. China so far has exhibited a sense of reasonableness and tact, and its economic aid and the boundary issue settlement have been advantageous to Nepal.³⁹ As Sino-Indian relations deteriorated over the border question, Sino-Nepalese relations aroused grave concern in New Delhi. When Sino-India conflict occurred in October 1962, Nepal refused to take sides and used diplomatic pressure to resolve the dispute. The statement of His Majesty King Mahendra on November 10, 1962 reflected the prevailing Nepalese attitude:

Surely, it is a greivous and fearful matter and China and India should expeditiously settle it through mutual negotiations...Nepal longs to maintain cordial relations with all friendly countries...So this being a dispute between India and China, Nepal deems it most appropriate that they should resolve it through mutual understanding.⁴⁰

In the post-1962 period Nepal-India relations matured to some extent. India restricted Nepai Congress armed forays into Nepal,

and Nepal demonstrated its political good will by allowing China to build a road across the Himalayas. Nepal allowed the broadly-held Indian concept of the impregnable Himalayan barrier to be broken when an agreement was signed in 1961 with China. This myth was later broken by the Peoples Liberation Army which marched south of the Himalayas from 25 to 30 miles to threaten the Assam plains and nearly 100 miles in Ladakh in the western sector.⁴¹

During the period following the Sino-Indo conflict Nepal under King Mahendra hoped to play a role of ideological buffer between two giant neighbors. With regard to the future security of Nepal, Rose has maintained that:

Chinese aggression aimed at the conquest of Nepal and its absorption into the Chinese Communist Empire is a remote possibility. The essential precondition for such a drastic change in Chinese policy would be political chaos in India severe enough to lead to the dismemberment of the Indian republic into several nation states. This is not impossible, but it seems improbable.⁴²

The Indian Army's debacle in the face of Chinese onslaught has prompted tremendous modernization. This, together with the experience of combat with its neighbors on various occasions, means that future Chinese adventures across the Himalayas will no doubt encounter severe opposition.

For Nepal the continuing danger of being sucked into "Mother Indian culture" far outweighs the political or military threat from China. Nepal is still heavily dependent on India's goodwill for trade and transit facilities. Nearly 80 percent of Nepal's trade is with India. In Nepal intellectuals believe even

if Communism were to come, it would be exported through India. Nepal borders the Indian states of West Bengal, Bihar, and Uttar Pradesh. These are three of the most undeveloped and over-populated states in India. One of them, West Bengal, is under Communist rule. As Dr. Shashi P.B. Malla, a scholar in the field notes:

It is interesting to note that the decision makers in both Nepal and Bhutan perceive the threat to their national existence not from Communist China but from democratic India. Indeed, the fall of Bhutan as the next Indian domino [Sikkim was annexed by India during Prime Minister Indira Gandhi's office in 1975] would pose an intense threat also to Nepal's security. Thus, in the perspective of mutual foreign policy interests, fruitful bilateral co-operation (also with the other countries of the South Asian subcontinent) is perceived as a further component in the strategy for survival.⁴³

Although many political pundits point out that Nepal has tried to obtain maximum aid from its neighbors, one must understand that the continued state of hostilities did permit Nepal to bargain for the right kind of aid. One must also understand that neither China nor India is in a position to offer lavish aid to Nepal if granting aid did not satisfy their respective national interests. Another question is whether Nepal by opening its door too early has invited superpower conflicts to its doorstep. But how can the superpowers be ignored when the future destiny of the world rests on the delicate balance of power between the United States and Soviet Union? Nepal has wisely tried to balance its relationships not only with the superpowers but also its immediate neighbors—India and China, the regional powers. Nepal's determination to chart an independent foreign policy, together with its deep concern for

independence and sovereignty, was revealed in King Birendra's address to the Nepal Council of World Affairs on July 26, 1973:

While we pledge friendship with all nations, we shall take special pains to cultivate friendship with our neighbors hoping that peace, co-operation and understanding based on a sober appreciation of each others problems and aspirations shall prevail. Notwithstanding these fervent pleas, notwithstanding this sincere expression of goodwill, notwithstanding these endeavours should ill fortune ever overtake us, I hope and pray that the people of Nepal shall not lag behind to brace themselves with the last resource they have - courage to prove to the world that force or contrivances are but feeble instruments to subdue the fierce spirit of a people whose lifeblood, through the ages, has been independence or nothing. ⁴⁴

Nepal wishes neither to dismantle its historical ties with India nor to seek replacement. China provided the vehicle by which Nepal was able to define its independent identity. To the world, China was able to improve its image by maintaining cordial relations with a small neighbor like Nepal. In addition, Nepal is pursuing other strategies for survival, including trade diversification, regional co-operation, and 'Zone of Peace' proposals. All these require co-operation, understanding, and peace. They all have a significant bearing on the development of Nepal. The atmosphere of peace alone is conducive to the development.

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CHAPTER IV

Various Strategies, One Goal.

"If a nation values anything more than freedom, it will lose its freedom; and the irony of it is that if it is comfort or money that it values more, it will lose that too."

William Somerset Maugham, 1941.

The most immediate concern for Nepal is to achieve some degree of economic prosperity for its people. This is a gargantuan task in a country devoid of natural resources and in which all the characteristics of under-development prevail, including high illiteracy, limited access to technology, an agrarian based economy, and a limited industrial infrastructure. The dilemma has been further complicated by geography. Of necessity diplomatic manipulation has become part of Nepal's development strategy. As previously noted, Nepal's diplomacy has demonstrated both dexterity and expertise.

Nepal's development program cannot be implemented—at least for the time being—without foreign aid. Nepal has shown that a consistent policy of non-alignment enhances the potential to obtain foreign aid. Indeed, one writer has observed that "Nepal's consistent policy on Cambodia and Afghanistan and its advocacy of the principles of self determination without interference from outside demonstrated its determination to maintain its independence from neighbors, India and China."¹ The United States, which had originally viewed the non-aligned movement as a pro-Communist facade, especially during the Dullesian early 1950s, has finally accepted the idea that non-alignment is not synonymous with

pro-Communism. Nepal has remained truly non-aligned as the American Ambassador in Nepal, Mr. Phillip R. Trimble in his first press conference observed: "Whereas in the early 50's the United States did not accept the non-aligned movement, it has now accepted it as 'constructive'." He added that "Nepal's policy is 'consistently' non-aligned."²

World War II saw the demise of the European colonial empires but created a bi-polar world. As wartime diplomacy gave way to cold war, the developing countries and the newly emerging independent nations saw the advocacy of non-alignment as the course best suited for economic development. Rishikesh Shaha has pointed out that, "Non-alignment is simply a posture of policy which is intended to serve national interest." He emphasized that, "It is nothing more and nothing less."³ The desire for peace in Nepal's pursuance of development has been overriding. Perhaps His Majesty King Birendra best summarized his country's attitude when he addressed the Nepal Council of World Affairs on July 23, 1973:

I would further like to point out that in our scheme of things in Nepal, we neither have enemies to fight against nor battles to win. If fight we must, the battle lies well within our territory: it is a battle against backwardness and destitution, to fight which I have exhorted the need for development.⁴

Thus Nepal wants to underscore the importance of national development while pursuing an active non-aligned foreign policy which would foster an international peace conducive to progress. Nepal also wants to relinquish its outmoded status as buffer state. A decade ago, King Birendra asserted that "the concept of buffer

state has become outmoded. Our historical experience is that we can maintain friendly relations with both these countries, [China and India]. We feel that playing one against the other is a short-sighted policy."⁵ Nepal therefore is reluctant to serve as a buffer. King Birendra, in a historic address on the occasion of his coronation, endorsed the proposal that all friendly powers recognize Nepal as a zone of peace. This proposal is one of the several policies designed to enhance Nepal's sovereignty. The others are regional co-operation and Nepal's active participation in the international arena. The following discussion focuses on these policies and shows how they reinforce Nepalese sovereignty.

Concept of Zone of Peace

The zone of peace concept was adopted by the U.N. in 1971 when the 26th General Assembly declared the Indian Ocean a Peace Zone.⁶ Nepal has sought status as a zone of peace based on the above U.N. declaration. However, Nepal's quest to be declared a zone of peace dates to the fourth summit conference of non-aligned nations held in September, 1973, when King Birendra declared:

"We advocate a zone of peace, being established in one region, and extending there to other parts of the world...In the absence of clearly demarcated peace zones, accepted as such by every country in the world, countries with smaller size and population are bound to feel insecure."⁷

Rishikesh Shaha has said that "Nepal is not in a position to copy the Swiss model"⁸ because Switzerland has been able to exort recognition of neutrality through the medium of diplomacy. Nepal, unlike Switzerland, advocates active participation in world

politics as a responsible member of the United Nations.

King Birendra, in an address at the farewell reception concluding his coronation ceremony on February 25, 1975, declared:

"And if today peace is an over-riding concern with us it is only because our people genuinely desire peace in our country, in our region and everywhere in the world. It is with this earnest desire to institutionalize peace that I stand to make a proposition—a proposition that my country, Nepal, be declared a zone of peace."⁹

The King further emphasized the necessity for peace by stating:

"As heirs to a country that has always lived in independence, we wish to see that our freedom and independence shall not be thwarted by the changing flux of time when understanding is replaced by misunderstanding, when conciliation is replaced by belligerency and war."¹⁰

The most significant aspect of this proposal is the renunciation of the buffer state concept as it applies to Nepal. The concept of security belts and buffer zones evolved during the 18th century and was used as late as 1919 when Eastern Europe states were created to serve as a buffer between East and West. By 1939 German Blitzkrieg had rendered the concept outmoded, and today in the missile age, in which mobility and maneuver are keys to victory, buffer zones have become almost insignificant.¹¹ Furthermore, Nepal does not perform the function of a buffer zone. First, neither India nor China seek expansion in spite of a long-standing border dispute, and neither has any territorial claims on Nepal. Second, India and China are moving towards rapprochement.¹² Last, despite conflicting interest, evidence indicates that India and China will probably limit themselves to diplomatic maneuver in the quest to attain greater regional

influence.

Nepal's ultimate aim would be conclusion of a comprehensive treaty in which both China and India recognize Nepal as a zone of peace. The concept has not been prompted out of fear or threat from any quarter, but endorsement of this proposal would mean a guarantee of Nepal's sovereign status not only by India and China but ultimately by the United Nations.¹³ The "specifically worded treaty" recognizing Nepal as a zone of peace would ultimately replace existing bilateral peace and friendship treaties with India and China. Because Nepal is a strong supporter of general and complete disarmament, the proposed zone of peace could be an effective deterrent to future war, thanks to Nepal's strategic position between India and China. In the event of hostilities between India and China, Nepal would not allow its territory to be used for the advantage of either power. The foreign minister of Nepal, Mr. Krishna Raj Aryal, has maintained that both India and China would "be spared the burden of heavy expenditure incurred in the maintenance of military personnel in the frontier (adjacent to Nepal)."¹⁴ The demilitarization of nearly 670 of the 2,500 miles on the Sino-Indian boundary could act as a major restraining factor in future Sino-Indian conflicts. Needless to say, a very delicate balance exists between the two major powers of the region. In this context it is natural that Nepal develop a stratagem guaranteeing her sovereignty, the violation of which would earn international condemnation. The government-owned Nepali language daily Gorkhapatra aptly justified the zone of peace proposal on February

26, 1976 by stating:

Nepal may be involved in the current rivalry and conflict in the region because of its geopolitical situation. Nepal has been successful in remaining neutral in such regional rivalries and conflicts in the past and the proposal for a zone of peace has emanated from the desire to institutionalize peace in order to be free from worries in the future.¹⁵

This is not to say however that China and India have made no attempts at negotiating their differences especially those concerning long-standing border disputes in Kashmir (Aksaichin) and North East Frontier Agency (Arunachal Pradesh).¹⁶ Nevertheless, geopolitical factors must be taken into consideration: India has a "growing military-industrial complex and the world's third largest pool of scientists and engineers."¹⁷ The Indian military capability has been enhanced by both indigenous procurements and foreign imports, including 200 British Jaguar fighters to be fitted with the latest electronic guidance systems to be supplied by the United States. While it would be almost impossible for Pakistan to attain military parity with India, India's military posture vis-a-vis China has improved significantly, if not categorically, because of obsolete military hardware in the Chinese inventory. India is a regional power with a capability to intervene in both the Indian ocean and the Persian Gulf. India has a million-man army, the Indian air force is the fifth largest in the world, and the rapidly expanding Indian navy is already the largest in the region.¹⁸ Since the debacle of 1962 in the Sino-Indian border conflict, the Indian Army has recovered sufficiently to perform well against the Chinese-armed Pakistani Army in 1965 and 1971.

Furthermore, the Indian armed forces seem to have corrected all the visible shortcomings encountered in the border war of 1962. While the People's Liberation Army of China has been politicized and undergone reconstruction, and while upheavals have undermined its morale, leadership, discipline, and training, the Indian armed forces have remained a cohesive force, perhaps a force to reckon with. Therefore, if hostilities were to occur between India and China in the near future, those hostilities might not assume the form of a limited war with limited objectives but might result in general war possibly involving other nations of the region.

Nepal's desire to remain free from such a conflict can be achieved only if both India and China recognize Nepal's sovereignty. India has harbored a preconceived security notion that the Himalayas are a natural barrier tied in with India's overall defence.¹⁹ However, Nepal has been successful in 1962, 1965, and 1971 in maintaining its neutral posture. Official recognition of the zone of peace proposal will not only reinforce Nepal's neutral stance but also its sovereignty. Nepal's official view was made clear in June 1969, when the former Nepalese Prime Minister Kirti Nidhi Bisht stated with regard to the withdrawal of the Indian military post in the Sino-Nepal boundary:

"It is not possible for Nepal to compromise its sovereignty or accept what may be called limited sovereignty for India's so called security."²⁰

Nepal will have to bolster its military capability to protect itself from aggression. The most favorable assurance for the sovereignty of Nepal would be through international recognition of

Nepal's status. The outcome of any treaty would also alter the mutual security treaty signed with India in 1950 and the Tripartite Agreement of 1947 which allows the recruitment of Gorkha soldiers for the Indian and British armies. The mutual security treaty of 1950, while engaging possible Nepali-Indian joint action on Indian soil, does not compel Nepal to accept for its own protection Indian soldiers on Nepali soil.²¹ Gorkha troops in both the Indian and British armies provide considerable economic benefit and absorb excess manpower from Nepal, where industry is still in its infancy. To reabsorb the manpower resulting from a termination of recruitment in the Indian and British armies, Nepal would have to develop alternate sources of employment. At present the only solution seems to be partial industrialization, which very much depends on the goodwill of India.

As mentioned previously, the defence posture of Nepal will have to undergo restructure and reinforcement. There are two alternatives open to Nepal. First, in the event of any violation of sovereignty, the Royal Nepalese Army must be determined to exact a heavy toll from any aggressor. The mountainous terrain of Nepal greatly favors the defender, and with minimum of extra expense the existing Royal Nepalese Army can make the cost of aggression unacceptable. The delay imposed by the Royal Nepalese Army could also work against the aggressor in the forum of world opinion.

Any country willing to violate the sovereignty of Nepal would have to employ a pure infantry force. The possibility of airmobile and airportable units has to be ruled out because neither India nor

China possesses these forces in sufficient quantity. China has four to six divisions designated as airborne, but "it is unlikely that there are enough transports and helicopters in all of China to put even one division of paratroopers in the air."²² India can field only one parachute brigade and has transport constraints similar to China's because of a shortage of aircraft.²³ It can be concluded that these forces would be employed as strategic reserves or retain a coup-de-main mission of immediate tactical and strategic advantage. The application of air mobile operations to Nepal would be greatly restricted by time factors requiring an early link-up of ground forces with air mobile forces in the face of rugged terrain and a well-entrenched Nepalese army. Therefore, it can be optimistically concluded that a well-trained and well-equipped Nepalese Army with a minimum of sophisticated military hardware can effectively deter aggression.

Since joining the United Nations in 1955, Nepal assumed an active role in that organization within a relatively short time with minimum of fuss and bother.²⁴ The Nepalese perspective is that the United Nations is the only symbol of hope for the future of mankind. The only real alternative to the United Nations is an even more powerful United Nations.²⁵ Nepal recognizes that the need for a permanent United Nations force was perceived at inception and that article 43 provides for such an initiative.²⁶ A discussion of the advantages and disadvantages of a permanent United Nations peace keeping lies outside the scope of this thesis. But the fact remains that a well-armed, permanent force could be

more effectively employed before the outbreak of hostilities than an ad hoc force after a crisis has developed. In this context Nepal feels that the United Nations peace-keeping efforts should be long-range programs aimed at eliminating the roots of war rather than at stopping wars after they actually break out.²⁷ As evidence of its support to the U.N., Nepal has provided both observers and peace-keeping contingents in Lebanon (1958), Kashmir (1965), Sinai (1974), and Lebanon (1978-1983). The last Nepalese contingent in Lebanon is being withdrawn as a protest following the massacre of civilians in September 1982 in western Beirut²⁸ with the apparent acquiescence of Israel.²⁹ Nepal has also stated "that future U.N. requests for troops would be given sympathetic consideration and would be entertained provided it felt the peace-keeping task could be done effectively."³⁰ In the future, peace-keeping forces from neutral and non-aligned nations will be continually employed to "extinguish brushfires without great power confrontation."³¹ The existence of a strong, reliable, and impartial peace-keeping force might cause some nations to abandon the quest for sophisticated arms without regard for economic development. With their security requirements met poor nations could then "concentrate on their priority needs of economic, social, and political developments."³²

Nepal's citizens have had the opportunity of participating in military operations in a wide variety of terrain. They have fought successfully in environments ranging from the jungles of Malaya and Burma to the urban terrain of Europe, from the deserts of North Africa to the inhospitable mountains of Kashmir, and most recently,

in the wilderness of the Falkland Islands. Nepal's non-aligned foreign policy, its size, its faith in the United Nations, and its capability to provide one of the world's most effective bodies of troops in service of peace are all factors making the Nepalese worthy of consideration for a permanent United Nation's Force. Peace-keeping troops would form an integral part of the Royal Nepalese Army and could be placed under international command stationed within Nepal. These peace-keeping troops could provide the United Nations with an immediate response to deter conflict in any part of the globe. Furthermore, the stationing of such a force within the territory of Nepal would act as a deterrent to any future aggressor.

Diversification of Trade

The future possibility of creating permanent United Nations peace-keeping troops will not, however, be able to absorb over 100,000 Gorkha troops now in the British and Indian armies. Therefore, Nepal must find alternate sources of employment. The best answer so far has been the promotion of light and cottage industries. This would not only provide employment but help to end Nepal's heavy dependence on trade and her deficit with India. Because of Nepal's land-locked situation, the co-operation of India is of prime importance. For Nepal, a trade diversification policy has two goals: first, it will address the increasing balance of trade deficit with India (see table 1.) and, second, scarce foreign currency will be obtained. So far the diversification policy has not yielded success because of the absence of a comprehensive trade

and transit treaty between the two countries. Most of the other land-locked nations such as Afghanistan, Laos, Switzerland, Austria, and Bolivia, can utilize several access routes through different countries; but Nepal has only one alternative, through India.

The trade and transit treaties signed with India in 1950, 1960, 1971, and 1978 have not been particularly advantageous to Nepal either in fostering the establishment of industries or in facilitating transit. The Kathmandu-Kodari highway was built with Chinese aid to compensate for over reliance on Indian transport facilities. However, this venture has not altered the importance of trade and transit with India. India has been reluctant to allow more favorable trade and transit facilities mainly because Nepal is a major consumer of Indian products. Nepal has also signed trade and transit treaties with Pakistan and Bangladesh. Bangladesh has offered the use of its port in Chittagong, but a 25 kilometer corridor of Indian territory separates Nepal and Bangladesh.

The Indian and the Nepalese governments have moved closer to some compromise in signing the 1978 trade and transit treaty which benefits both countries. Furthermore, India has also consented to the use of its territory as a land "transit route from Nepal to the Bangladesh ports of Chalna and Chittagong."³³ The major demands made by Nepal are:

1. Removal of qualitative and quantitative restrictions on the goods imported by Nepal;
2. Correction of bureaucratic delay and simplification of customs procedure;

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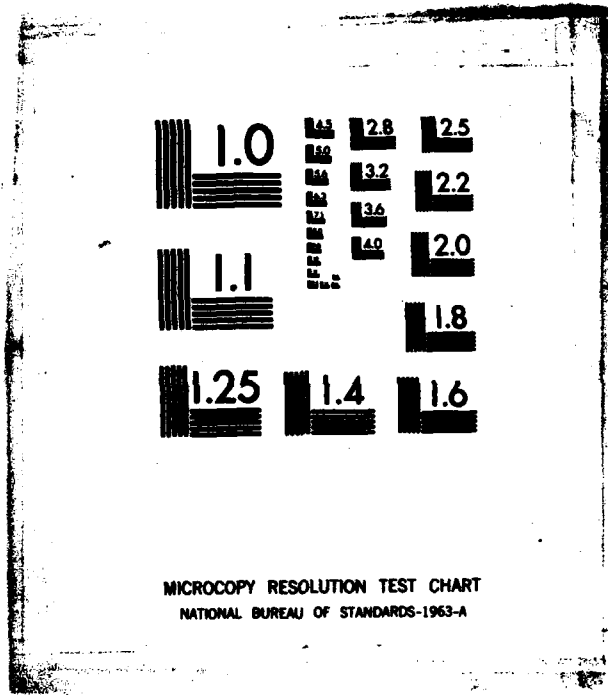
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3. Granting sufficient warehouse space and permission to construct warehouses in the port of Calcutta;
4. Allocation of sufficient and separate railway cars to transport goods between Calcutta to Raxual, (nearest railhead to central Nepal);
5. Treatment of ships flying the Nepalese flag similar to that granted Indian carriers.³⁴

The 1978 treaty has provided Nepal with 15 different routes to facilitate trade with third countries. The treaty has also addressed unauthorized trade between the two countries. This has been a constant irritant to India because foreign goods imported by Nepal are smuggled back into India. Nepal does not condone this practice, but as both countries share over 700 miles of open border, prevention of smuggling is almost impossible. Most of the smuggling of luxury goods across the border is probably done by Indians who have connections in both countries.

The establishment of modern industries in Nepal is fairly recent. The shortages caused by the Second World War bolstered partial industrialization in Nepal. Unfortunately, Nepalese nationals played a minimal role, and most of the investment was owned by Indians. The Nepalese for the most part were not in a position to invest. The Rana families, who had accumulated great wealth, were hesitant because of the fragile political climate. Early industrial ventures also encountered many hardships because Nepal lacked a sound bureaucratic infrastructure and had virtually no economic planning.³⁵ Most of the earlier established industries failed to survive in the post-war period because of recession and over-production. Since 1956 Nepal has launched successive

developmental plans giving "priority to the development of transport, power and irrigation facilities, and the launching of a nation wide village development program."³⁶ But even after the establishment of a basic infrastructure to facilitate foreign and local investment, the reaction of investors was far from satisfactory. The government had hoped to reduce the trade deficit with India by introducing the "bonus voucher scheme" to boost exports to third countries. This scheme enabled overseas exporters to retain 60 percent of all export earnings to import goods. Instead of reinvesting the capital, the exporters imported luxury goods which were more profitable.³⁷ Since then the government has taken more appropriate measures to study markets for Nepalese products. Nepal has realized that its own limited market means that domestic industrial enterprise must be focused on the vast market of India to reduce the trade deficit. As Banskota has suggested, big industries can be established in Nepal only when the markets of India are open to Nepalese products.³⁸ At present Nepal ranks eighth among India's trading partners; therefore, Nepal must develop industries where there is minimal Indian competition. The new industrial enactment policy "has guaranteed that no foreign-owned industries will be nationalized and that in the remote event of such industries being nationalized due compensation would be paid to the foreign investor."³⁹

Industrial enterprises initially will have to be conducted as joint ventures based on interdependence with Indian firms. Since Nepal is the leading importer of Indian cotton textiles, chemical

goods, and medicine in Asia, industrial ventures in Nepal should focus on other industries without causing economic imbalance.⁴⁰

There is a vast potential industrialization based on the following:

Jute	Resin and turpentine
Fertilizers	Fruit preservation & canning
Low shaft iron smelting	Breweries & soft drinks
Soapstone	Paint & varnish
Ceramics	Wooden paraquets
Glass & porcelain products	Paper & pulp
Woolen textiles	Hydro-electric power
Strawboard	Cement
Plywood & hardboard	Mica
Hotels	Drug & pharmaceuticals
Soy bean processing	Ghee (butter) refining
Soap	Solvent extracts
Ginger	Dye stuffs and Catechu*

*Source: N.P. Banskota "Nepal Towards Regional Economic Co-operation in South Asia." Asian Survey, Vol. XXI, Number 3, March 1981, p. 348.

India has begun to adopt a more cooperative approach mainly because Nepal has tried to internationalize issues concerning the rights of land-locked countries. Furthermore, in August, 1980 following the third meeting of Indo-Nepal intergovernmental committee, the committee agreed to ensure under concessionary arrangement smooth entry of Nepalese industrial products into the Indian market.⁴¹ The Indian delegation made assurances to provide

enough time and space for the transit of Nepalese export goods. The Indian delegation also agreed to let Nepal utilize the transit facilities at Beneploe (India) for entry into Bangladesh. The Special United Nations Fund for land-locked developing countries in November, 1979 had built a warehouse terminal at Calcutta costing \$135,000 to be shared by both the United Nations and Nepal.⁴² Nepal meanwhile has agreed to restrict unauthorized trade with India which consists mainly of third country consumer or luxury goods.

If the trade and transit treaty between Nepal and India are mutually favorable then Indian investment as well as foreign investment would be willing to set up joint ventures in Nepal. Nepal has already embarked on a program to harness its vast hydro-electric potential at the growth rate of 20.1 percent annually.⁴³ In contrast, India faces frequent power shortages. As a result of the signing of "the memorandum of understanding and economic co-operation with India in 1978, Indo-Nepalese economic relations entered a new phase of economic growth through co-operation."⁴⁴ The joint venture negotiated cooperation in medium, small, and cottage industries and has already fostered the establishment of cement and paper industries. These ventures alone are estimated to provide employment for 10,000 people.⁴⁵ A West German leather firm has invested 45 percent in the leather industry in Nepal and will purchase 75 percent of the products. The Matsushita Electric Company of Japan has set up a joint venture with a Nepalese private firm to produce low-priced radios and other

household electric appliances.⁴⁶ A Japanese government grant of nearly Rs 100 million has been provided for the development and improvement of medium wave broadcasting to reach 55 percent of the total population.⁴⁷

Other significant collaborations are a German-aided magnesium and talc extracting plant and Chinese-aided paper and sugar factory to be set up in the Nepalese Terai. The Austrian Government has expressed willingness to provide modern pottery making equipment.⁴⁸ These examples, modest by international standards, are significant to the overall economy of Nepal. They not only provide employment but will reduce the trade deficit with India and indirectly support diversification of trade.

Hand-in-hand with partial industrialization are efforts aimed at improving the social environment and economic welfare of the masses. The United States has continued to assist programs for the improvement of rural health, family planning, and resource conservation and utilization projects under the integrated Rural Development Project in Rapti zone. Assistance will amount to 26.7 million in US dollars.⁴⁹ Similarly, Canada covers Karnali and Bheri zones in western Nepal, and Switzerland, West Germany, Britain, and Japan maintain involvement in an integrated hill development project. Groups consisting of the United Kingdom, West Germany, Japan, Austria, Switzerland, France, the United States, and Canada, together with the International Fund, UNDP, Organization for Economic Co-operation, and Development and World Food program, have agreed to assist Nepal with 200 million US

dollars for the first year of the sixth plan (1980-85). Foreign aid has thus continued to play an important role in the development of Nepal. As one of the 25 nations belonging to the community of least developed nations, external assistance for development is a major policy objective. Nepal has been able to mobilize substantial resources for development especially from external sources.

Nepal has already achieved a certain degree of trade diversification - trade with third countries is increasing. The European Common Market contributed to about 20 percent of Nepal's total foreign exchange earning in 1979.⁵⁰ Trade with Japan contributes another 7.78 percent to Nepal's exports.⁵¹ Trade with the United States, which consisted of five percent of Nepal's total trade in 1978, is also on the increase. However, India still ranks as the major partner with nearly 70-80 percent of Nepal's trade. Thus, India will continue to play a major role. Partial industrialization and trade diversification by Nepal will also serve the long term interest of India as well. At present Nepalese exports to India consist mainly of agrarian commodities. But India's main objective is to achieve a food surplus.⁵² India's attainment of this objective would have serious repercussions on the economy of both countries. In addition, Nepal cannot continue to absorb its own growing population. Failures to control growth will lead to a labor exodus to India, possibly accompanied by political problems. On the other side, if the Chinese government finally decides to open Tibet, this land could become a profitable

market for joint Indo-Nepal ventures. It would be cheaper to introduce goods to Tibet from Nepal and India than via China proper. The time now has come for even more serious consideration of the mutual benefits of co-operation.

Towards a Regional Co-operation

The destinies not only of India and Nepal but of all the countries of the Indian subcontinent, including Sri Lanka and Maldives, are increasingly intertwined. The problems facing these countries are formidable, with disturbances such as communal violence in one affecting the others. Economic change can take place only within a framework of interdependence and co-operation.

The Soviet invasion of Afghanistan has brought the realities of cold war to South-West Asia. The situation has affected both the global and regional arms race and the peace and tranquility of the region. The grim realities of this situation have also generated a serious study on the formation of a South Asian Economic Forum along the lines of the European Common Market and ASEAN (Association of South East Asian Nations). Many common interests link Pakistan, India, Nepal, Sri Lanka, Maldives, Bhutan, and Bangladesh, perhaps more so than the nations of Western Europe. All seven share similar cultural, traditional and ethnic values and have similar political backgrounds. With the exception of Bhutan and Nepal, all were under British colonial rule, and even in Nepal and Bhutan there was considerable British influence. They all adhere to the principles of non-alignment. The economic, social and political problems confronting these countries have similar

roots, and mutual dependence through co-operation could alleviate some of the problems which nearly 30 years of economic planning have failed to solve.

The credit for the origin of this novel concept goes to the late President of Bangladesh, Zia-ur-Rahman, who in 1980 advocated such a scheme. Ever since, this concept has been received enthusiastically by all the countries concerned, and reasonable progress has been made. One observer, Stanley Wolpert, has noted both the necessity for and the possibility of a regional program of economic co-operation between India, Pakistan, and Bangladesh (to which one could add Nepal, Bhutan, Sri Lanka, and Maldives):

Their natural endowments of resources and economies are, in fact, even better suited to precisely that sort of reintegration for partition, after all, had artificially, politically, undone what nature and economic forces designed to be interdependent.⁵³

Apart from the economic benefit, Wolpert has envisaged secondary advantages of a socio-political and ultimately a strategic nature which would be derived from mutual dependence. He elaborates on these benefits by stating:

Trust and support that would grow with increased trade and shared projects for control of such natural resources as rivers and rains and the development of energy sources such as hydro-electric, coal, oil, perhaps even atomic.⁵⁴

However certain inherent obstacles lie in the path of such a forum. One primary problem concerns India and Pakistan on the question of Kashmir and another concerns the border dispute between India and China. However, these disputes can be termed minor within the larger context of unsolved problems of poverty,

illiteracy, destitution, malnutrition and ill-health.

Although nations lie within close proximity of one another, they have remained in some degree of isolation, pursuing their own national interests. As H. T. Parekh has emphasized: "...the peoples and governments of these lands have chosen to live in splendid isolation, linguistically close, culturally akin, economically interlinked and sharing a common heritage."⁵⁵

The first definite proposal for co-operation was mentioned by King Birendra of Nepal in 1977 at the formal opening of the plenary session of the Colombo Plan consultative conference in Kathmandu.

He stated that:

We do not intend to look at them (water resources) from the stand-point of national interest alone. It is our conviction that if co-operation can be called for, especially, co-operation of Asian countries such as Nepal, India, China, Bhutan, Bangladesh, vast resources of the bountiful nature could be tapped for the benefit of the people of the region.⁵⁶

Subsequently, the first regional meeting at the foreign secretary level took place in Colombo in April 1981, at which possible areas of co-operation were outlined to include rural area, industrial and agricultural development, international relations, political and economic integration, birth control and planned parenthood, weather, medicine, health and finally communications.⁵⁷ The third meeting held in August 1982 in Islamabad proposed the involvement of planning commissions of member countries in the process of regional co-operation on the economic front.⁵⁸

Co-operation in sharing water resources presents one of the

most beneficial areas of mutual assistance for this subcontinent. The Indus river system with its five major tributaries is the life blood of several million people in Pakistan. The Ganges River system encompasses Nepal, Bangladesh and India, and includes the Gangetic basin, one of the most populated and cultivated areas in the world. Nepal holds the key to flood control in that basin. According to one estimate nearly 48,000 square miles of northern India were affected by flood in 1978.⁵⁹ The three major rivers of Nepal, the Karnali, Gandaki, and Kosi, "contribute 40 percent of the dry season flow of the Ganges."⁶⁰ Through co-operation it would be possible to increase the flow at Farakka by approximately 35 percent.⁶¹

For some time a major difference between India and Bangladesh has been the sharing of water from the Ganges during the dry season. The Indian government in 1960 constructed the Farakka Barrage to divert water to prevent the siltting of Calcutta port and the newly constructed port of Haldia 50 miles downstream (see map 4). The Farakka Barrage was constructed without the consent of Pakistan, and the new government of Bangladesh has maintained that all 55,000 causecs is required during the dry season to flush the Padma river and reduce salt water intrusion which is already a major problem. Dacca has further contended that water diversion by India would produce shoaling in Bengali rivers downstream, contribute to Bangladesh flood problems, and adversely affect fishing, conservation, and navigation.⁶² The ecological problem has been growing acute. About 240 million cubic meters of Nepalese

soil are washed away by rivers and carried to Uttar Pradesh, Bihar, and West Bengal in India and to Bangladesh.⁶³ The top soil erosion of the Himalayas discolors waters 400 miles out to sea and satellite reports show 4,000 square miles of silt clogging the Bay of Bengal.⁶⁴ India, in attempting to resolve the problem on a bilateral basis, has suggested linking the Brahmaputra and Ganges by a canal through Bangladesh. But this is unacceptable to Bangladesh because the enterprise would be too costly and would further displace a large population from the best arable land. Bangladesh has repeatedly suggested the inclusion of Nepal in the sharing of water resources. Finally, India has agreed to include Nepal in a tripartite sharing of the ganga water by maintaining reservoirs in Nepal to augment the river flow during the dry season.⁶⁵ The future fate of these downstream people (in the Gangetic Basin) is linked to those living upstream (Nepalese Hills).⁶⁶ Joint co-operation to address the problem has become an urgent necessity. Marcus F. Frada has observed on the issue of joint utilization of water resources that:

A comprehensive plan for water resource development in this region would have to consider the unprecedented harnessing of the water in the highest mountains in the world, effects on soil erosion, conservation of wild life and plants in the Himalayan foothills, and the flood control, power, and irrigation needs of one of the world's most densely populated areas. Any plan which appeared to benefit some more than others would provoke immediate and serious political dispute."⁶⁷

The utilization of water resources to benefit the countries of the region must include a comprehensive multi-purpose project. A reservoir system in Nepal could be constructed in the foothills

without endangering the limited Terai (plain) cultivatable lands of Nepal. A reservoir system enhanced by the construction of a hydro-electric dam could produce electricity, provide water for irrigation, while a specially constructed canal could be used for navigation. Finally, excess water could be used to flush silts at the mouth into the Bay of Bengal. To safeguard the interests of all nations concerned, the project must be managed by an international agency or regional committee consisting of representatives of all nations concerned.

The concept of a South Asian Economic Forum comes at a time when the South Asian subcontinent is becoming more closely tied to the Persian Gulf region. India and Pakistan have important economic, political, and security links with several of the Gulf states. Pakistan already plays a vital role in the security of Saudi Arabia. There are an estimated 10,000 Pakistani troops (2 divisions) in Saudi Arabia, and Islamabad has pledged an additional 20,000 men to the defense of Saudi Arabia.⁶⁸ It must be noted that Pakistan's commitment to the security of Saudi Arabia and other Gulf states can only be seriously realized if tangible compromise is reached between India and Pakistan. The implementation of South Asian co-operation cannot take place without Pakistan, China, and India reaching a comprehensive settlement on the border disputes.

To the United States the formation of a South Asian Economic Forum would be useful mainly because the scheme promises stability on a subcontinent populated by 900 million people whose economic welfare, political stability and mutual co-operation are essential

to successful defense of the non-Communist world.⁶⁹ India presents a stumbling block as the staunchest of the Soviet Union's allies in the non-Communist world. Therefore, India should be encouraged to detach itself from the Soviet sphere of influence. The concept of a South Asian Forum will not serve the long-term interest of the Soviet Union. The long cherished Soviet dream of creating a system of collective security in Asia at the expense of China can not be entertained by any nations in South Asia.⁷⁰

The key to regional security and economic co-operation in South Asia rests with the future course of Indian political initiatives. India has already attained the status of a local superpower in the sense that nothing effective can be done against its will and without its co-operation.⁷¹ The Indian government must consistently show a spirit of magnanimity that it has rarely displayed in dealing with its smaller neighbors.⁷²

The fruits to be derived from South Asian co-operation are analogous to those derived from ASEAN on another regional level. The South Asian nations could acquire larger contributions for regional co-operation projects from donor agencies or countries. And lastly, the atmosphere of mutual-trust and interdependence could most certainly help to defuse tensions associated with ethnic secessionist movements in Pakistan, India, and Sri Lanka.

The concept of a zone of peace, a policy of economic diversification, and support for regional economic co-operation are all manifestations of Nepal's desire for the peace which she sees as a necessary precondition to economic development.⁷³ To this end

Nepal holds that world peace can only be attained through general and complete disarmament and movement towards Detente. In a bi-polar world the colossal task of nation-building can only be pursued through non-alignment. However, Nepal has not confined itself to a passive role on the international scene but has continued to voice its opinion in international forums, especially in the United Nations.

The major problem facing the world today is not political but economic in character. Political disturbances facing the nations of the third world usually have strong economic motivations. If some degree of economic development is maintained within the developing nations, threats to political stability would diminish. Nepal in this regard has already achieved internal political stability by conducting national referendums in which the citizens chose to support the present non-party form of Panchayat democracy. However, in the world we live in, internal harmony can only endure in an atmosphere of universal peace.

For Nepal, economic development for its people and the region in general would defuse political turmoil and hence certainly increase the chances of survival not only for Nepal but perhaps for all the nations of the region. For strategically placed Nepal, the proposal of a zone of peace is a move designed to reduce future hostilities between China and India. Nepal is determined not to get embroiled in hostilities and to reserve the right to an independent expression of the nation's will. While the zone of peace concept is designed to strengthen peace, the economic

diversification is intended to improve the welfare of the people. In the long run diversification through mutual co-operation and joint ventures will benefit all of Nepal's neighbors. Regional economic co-operation promises to neutralize distrust and apprehension between the nations. Interdependence and the mutual benefit derived from multi-national projects will no doubt establish common goals and common bonds among all the peoples of the subcontinent. The success of the South Asian Forum despite its utopian character rests on the initiative and interest of each nation of the region. Economic development is foremost in the minds of political leaders in these countries, and regional economic co-operation provides a glimmer of hope. The success of regional economic co-operation will reduce political tension and greatly enhance survivability of all the nations in the region.

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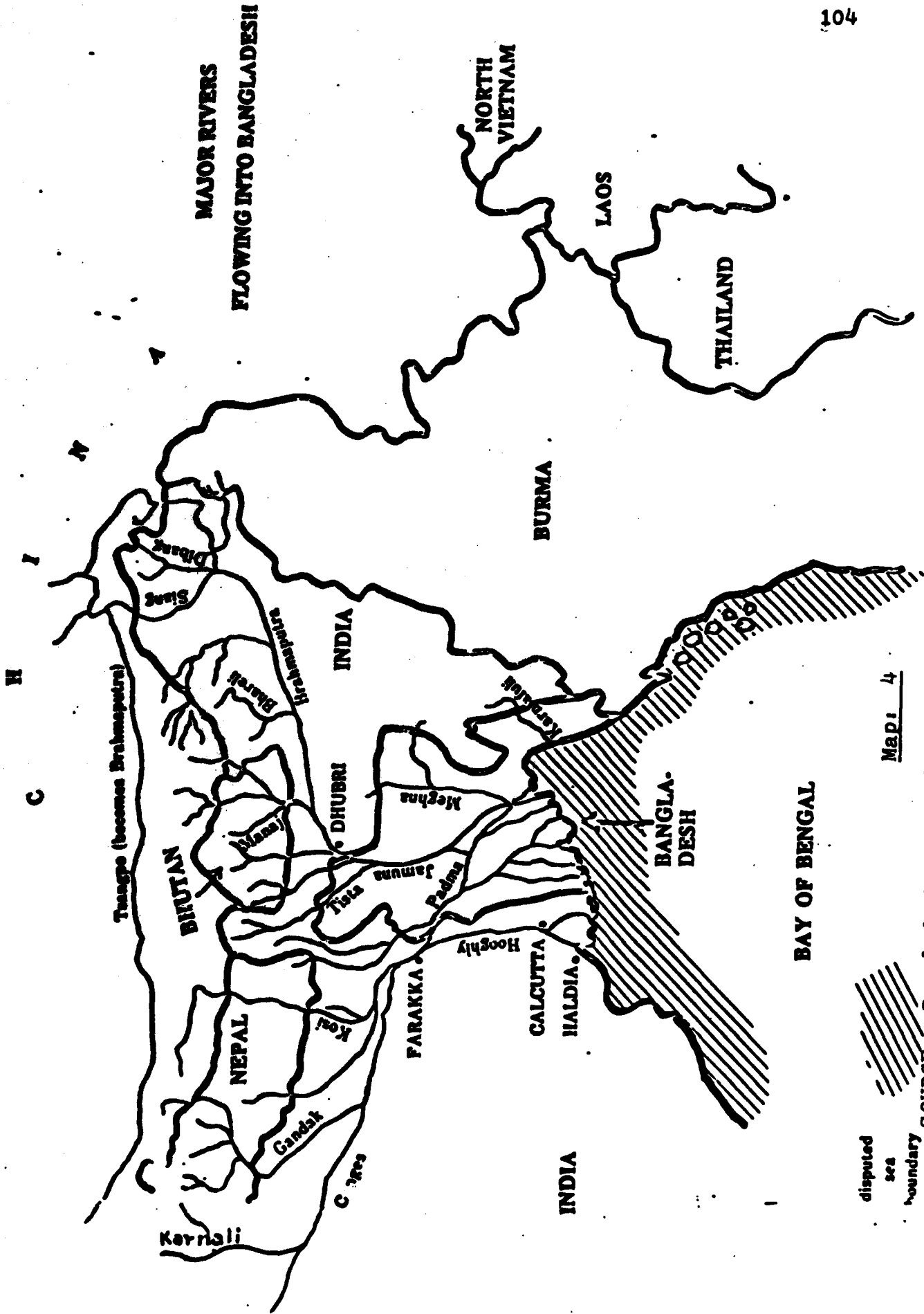
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TABLE 1: Nepal: Exports, imports, and Balance of Trade (in millions of Rs)

Year	Exports	Imports	Balance of Trade
1955-57	85.5	180.9	-74.4
1957-58	73.5	150.6	-85.1
1958-59	117.9	223.4	-105.5
1959-60	151.7	267.5	-155.8
1960-61	200.7	306.0	-105.3
1961-62	265.2	444.4	-179.2
1962-63	267.7	604.0	-316.3
1963-64	291.2	604.6	-313.4
1964-65	440.6	618.9	-578.3
1965-66	575.1	782.0	-406.9
1966-67	438.6	481.5	-54.7
1967-68	383.9	480.3	-106.3
1968-69	572.2	747.9	-175.7
1969-70	480.5	604.6	-375.9
1971-73	800.6	1814.6	-925.0
1975-76	1185.8	1981.7	-795.9
1976-77	1164.7	2702.0	-843.3
1977-78	1125.9	2638.4	-1532.5
1978-79	1400.2	2947.3	-1647.6

SOURCES: 1955-70, Nepal's Foreign Trade Statistics; 1974-77, The Economic Indicators, Nepal Rastra Bank; 1977-78, Nepal Overseas Trade Statistics, Trade Promotion Centre, Kathmandu.

Table: 1



**MAJOR RIVERS
FLOWING INTO BANGLADESH**

SOURCE: Bangladesh and India, Vol. XIX, NO 16, "Indo-Bangladesh Relations," p. 6.

CONCLUSION

As illustrated in earlier chapters on the 18th century, Nepal's strategy for survival focused on the need to preserve its sovereignty. Today, that strategy has evolved to foster regional and international peace so that the arduous task of economic development may be undertaken. To what degree are peace and development inter-related? One has only to refer to the events of recent history. World War II severely disrupted the world economy and was responsible for the demise of the once formidable British Empire. In the peace that followed, economic reconstruction of the developed world was initiated. The Marshall plan, which greatly contributed to that reconstruction, would not have been feasible if a state of universal belligerency had persisted. Other examples would lead one to the conclusion that "peace and development are co-terminus with each other and peace is, therefore, sine qua non for Nepal's better future."¹ Furthermore, to reinforce regional stability, Nepal has repeatedly advocated proposals which would brighten the prospect of peace. It has condemned the use of armed intervention as a means to settle disputes, and it has cherished the ideas of disarmament, a nuclear free zone, and a more assertive United Nations. Within the broad framework of institutionalized peace, Nepal put forward the peace zone proposal.

Geopolitical realities dictate the tacit agreement of India in Nepal's endeavor to obtain world agreement to the proposal. It would serve Indian interests to support not only the peace zone proposal, but also to encourage the economic development of Nepal.

Nepal is dependent on the transit facilities of India, and India is the principal trading partner of Nepal. This situation will continue for a long time and will be to India's advantage. Nepal's ambassador to New Delhi commented on the axiomatic side of Indo-Nepalese relations by stating, "political neutrality however, cannot make Nepal's rivers flow north instead of south."² India must nevertheless finally realize that Nepal is an equal sovereign nation and should be treated as one. On the other side of Nepal's borders, China has provided a partial political alternative as a huge but benign neighbor.³ So far, China does not figure prominently in the economic development scheme of Nepal. This has been partly because China has not shown any interest in opening Tibet. However, the future economic prospects for trade and commerce with Tibet would be economically beneficial to the countries of the region.

So far, peace has eluded the nations of South Asia. The Soviet Union's invasion of Afghanistan serves as a recent reminder. As long as economic problems exceed the national capacity to deal with them, political instability will continue. On a regional basis, stability through negotiations and economic co-operation could provide tangible solutions to pressing material problems. A weak neighbor susceptible to internal disintegration would be detrimental to the respective security of each of the nations in South Asia. In this context it would not be impertinent to state that the destinies of South Asian nations have become intertwined mainly because of geostrategic realities.

Nepal has practiced its diplomacy with dexterity and expertise since the 18th century, when it came into being as a nation-state. To analyze the various strategic options available to Nepal, one must be aware of the geographical constraints. Nepal's location will continue to dictate the various strategies available. To the degree that these strategies are supported by the United Nations charter, they will be beneficial to concerned regional countries. It can be optimistically maintained that these strategies are linked to the continued viability of that institution or at least its ideals.

To India and China the nature of relations with Nepal retains considerable importance. China was able to refurbish its tarnished image with other neighboring countries by pursuing pragmatic negotiations with Nepal. India's political and diplomatic approach to Nepal will have a crucial bearing on future relations with its other neighbors.

The Afghan crisis threatened to upset a delicate military balance of power in the region. In general, each country has seen fit to arm itself to meet military threats from its immediate neighbors and to deal with internal security. However, Pakistan's arming to meet the Soviet threat and India's improving her capability to meet future Chinese and Pakistani threats have led to the arms race in the region. This remains a serious development in a region which has seen several wars in the past. Continued internal political turmoil in the countries of the subcontinent has highlighted an immediate need to address socio-economic problems.

Long-term political stability cannot be achieved without reciprocal socio-economic development. The envisaged South Asian Economic Forum is a viable option available to support economic development and reduce instability. But will the nations of South Asia renounce an obsolete and narrow concept of national interest in favor of working together for economic reconstruction? Economic co-operation would negate centuries of hostilities. Perhaps it is easier for small nations to comprehend this rational. It is obvious that tensions between India and China or India and Bangladesh would be harmful to the national interests of Nepal.

To ward off political influence from either of Nepal's neighbors the late king, His Majesty King Mahendra, developed Panchayat democracy. The Panchayat system, perhaps unique in its own right, retains both democratic and social virtues. The development of this political initiative has enabled Nepal to maintain political equidistance and limit the political influence of both India and China.

In the economic field, trade diversification and economic co-operation will reduce Nepal's economic dependence on India.⁴ However, the Indian influence will remain appreciable even as the two countries become equal partners for progress. The regional economic forum on a multi-lateral committee level would not only arbitrate bilateral economic disputes but could be dedicated to regional economic development. This would undoubtedly work towards the survival concept espoused by Nepal. In the international arena, Nepal will continue to pursue its present foreign policy

based on the ideals of non-alignment and the charters of the United Nations. Nepal's diplomatic efforts in the international forum will be based on positive neutralism, thus increasing its stature as a non-aligned nation. Nepal will continue to advocate that the United Nations become an assertive world government and strive towards a global structure for conflict resolution without war. The adoption of these principles will not only foster universal peace, which Nepal views as essential, but will increase the survivability of small nations. But whatever its other strategic options, Nepal must have a credible defense to maintain its sovereignty. The defensive posture must be sufficient to deter any future aggressor.

Present circumstances can be regarded as favorable to Nepal's scheme of strategic and political maneuver. Nepal's policies are detrimental neither to India nor to China; rather Nepal's initiatives embody economic and political undertakings which would be beneficial to both.⁵ The various strategies pursued by Nepal for its survival are dependent on the one basic over-riding factor--peace in the region. However, the development of Nepal in isolation will not erase the dilemma. Socio-economic and physical geography have necessitated mutual interdependence in South Asia. Failure to address economic problems will encourage further political instability, leading to a vicious cycle which could spell disaster for the region. The alternatives remain, therefore, either to address problems in unison with a reasonable promise of success, or to address them independently at the possible peril of all the nations of the region.

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