

INDIA NEEDS A MAJOR CHANGE IN STRATEGY TO IMPROVE RELATIONS
AND COUNTER CHINESE INFLUENCE IN NEPAL

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MASTER OF MILITARY ART AND SCIENCE
General Studies

by

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The opinions and conclusions expressed herein are those of the student author and do not necessarily represent the views of the U.S. Army Command and General Staff College or any other governmental agency. (References to this study should include the foregoing statement.)

ABSTRACT

INDIA NEEDS A MAJOR CHANGE IN STRATEGY TO IMPROVE RELATIONS AND COUNTER CHINESE INFLUENCE IN NEPAL, by Major Gaurav Hridaya, 93 pages.

Nepal is important for India's security concerns due to its geostrategic location in South Asia. India and Nepal have maintained a long standing friendship in the region based on the Indo-Nepal Friendship Treaty, 1950. Since 2015, this relationship has been on a steady decline, and China has started playing a major role in Nepal.

This thesis examines the underlying causes of the drift in the Indo-Nepal relations and increasing Chinese influence in Nepal. Keeping this in view, the thesis goes on to analyze possible options available to India for improving this relationship, suggesting the most suitable strategy for India moving forward, which is also feasible to be executed, and acceptable to all stakeholders.

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ACRONYMS

BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Cooperation
BRI	Belt and Road Initiative
CCP	Chinese Communist Party
COVID	Corona Virus Disease
CPN-UML	Communist Party of Nepal (Unified Marxist-Leninist)
CPN(M)	Communist Party of Nepal (Maoist Center)
FDI	Foreign Direct Investment
FY	Financial Year
GDP	Gross Domestic Product
LTTE	Liberation Tigers of Tamil Eelam
MW	Mega Watt
NCP	Nepalese Communist Party
PLA	People's Liberation Army
PM	Prime Minister
TTA	Trade and Transit Agreement

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CHAPTER 1

INTRODUCTION

Our relations with Nepal are as old as the Himalayas and the Ganga.

—Mr. Narendra Modi, Prime Minister of India,
speech to Nepal’s Parliament, 2014

China and Nepal are bound by mountains and rivers, and stay as close as lips and teeth.

—Mr. Xi Jinping, President of the People’s Republic of China, meeting
Mr. Pushpa Kamal Dahal, co-chairman, Nepal Communist Party, 2019

A conspiracy is being hatched to remove me for releasing the country’s new map and getting it adopted through Parliament.

—Mr. K.P. Oli, Prime Minister of Nepal, speech to cabinet after release of
new map of Nepal that shows parts of India as Nepalese territory, 2020

Background

In the recorded history, the relationship between India and Nepal dates back to the times of Gautam Buddha, who lived from the 5th to 4th century BCE.¹ He was born in the Shakya Clan at Lumbini, present-day Nepal, and traveled across into India and gained enlightenment at Bodh Gaya in the Indian state of Bihar. Seeing the geography of the Southern region of Nepal and how it merges smoothly into the Indian subcontinent, it is probably safe to assume the Kingdom of Nepal and the rulers in northern states of India, especially Uttarakhand, Uttar Pradesh, and Bihar, had close cultural and trade ties pre-dating the recorded history. India and Nepal also share religious affinity. Nepal has 81.3

¹ Rupert Gettin, *The Foundations of Buddhism* (Oxford, England: Oxford University Press), 1998.

per cent Hindus and 10.7 per cent Buddhists,² two major religions having origins in India.

The diplomatic relationship between India and Nepal was established in 1950 with the Indo-Nepal Treaty of Peace and Friendship, which allegedly favored the Indian foreign policy as many of its articles were unequal as claimed by Nepal.³

Notwithstanding that, it had its advantages to the Nepalese people too. This treaty allowed Nepalese citizens to freely enter and exit India without passport, work in any organization (including as officers in the Armed forces), and own property in India (Nepal retracted the privilege of owning land by Indians in Nepal in 1958), without being a citizen.⁴ Such a privilege extended to the entire population of Nepal is of considerable significance with improving economic state of India. But this privilege came with hegemonic behavior by India which certainly needs to be looked into and changed in accordance with the changing geopolitical dynamics.

When China annexed Tibet in 1950, it raised security concerns in Nepal, which shares a border with Tibet. Despite this, Nepal and China entered into a diplomatic

² The Henry M. Jackson School of International Studies, "Classroom Country Profiles: Nepal," University of Washington, October 10, 2013, <https://jsis.washington.edu/wordpress/wp-content/uploads/2015/09/nepal.pdf>.

³ Monalisa Adhikari, "Between the Dragon and the Elephant: Nepal's Neutrality Conundrum," *Indian Journal of Asian Affairs* 25, no. 1/2 (June-September 2012): 87, <http://www.jstor.org/stable/41950522>.

⁴ Sangeeta Thapliyal, "India and Nepal Treaty of 1950: The Continuing Discourse," *India Quarterly* 68, no. 2 (2012), 121, <http://www.jstor.org/stable/45072541>.

relationship in 1955.⁵ Until 2016, China had not shown considerable interest in Nepal's development or assistance, barring the selling of arms or other minor economic aid.

The year 2015 was a turning point in relations between India and Nepal. Two significant incidents took place: the Nepal Earthquake in April and the Madhesi blockade in September. Despite the Indian Government's best intentions, immediate relief efforts, and a billion-dollar pledge for reconstruction, overly "nationalist" Indian media made a mockery of themselves and India's relief effort. This was evident by the Twitter trend *#GoHomeIndianMedia* as they were interfering in the relief effort and were trying to project a positive image of India, even before the situation in Nepal had stabilized, which did not go too well with the Nepalese population.⁶

Then came arguably the worst chapter of Indo-Nepal relations in recent history, the Madhesi blockade of September 2015. Nepal had recently released its constitution.⁷ Madhesis, the Nepalese citizens of Indian origin, who tend to reside along the borders with India, launched a six-month-long agitation that crippled the landlocked country's

⁵ Ranjit Thapa, "Nepal's Strategic Future: Following India, or China, or Middle Road." (Master's Thesis, U.S. Army Command and General Staff College, Fort Leavenworth, KS, 2010).

⁶ Faisal Edroos, "Nepalis slam Indian media for using quake for PR," *Al Jazeera*, May 06, 2015, <https://www.aljazeera.com/news/2015/5/6/nepalis-slam-indian-media-for-using-quake-for-pr>.

⁷ Nepal Law Commission, "Part-35 Short Title, Commencement and Repeal," accessed May 04, 2021, <http://www.lawcommission.gov.np/en/archives/category/documents/prevailing-law/constitution/constitution-of-nepal>.

economy as supplies from India were blocked.⁸ The most pressing demand of the Madhesi people was proportional representation in the Parliament; this was granted by the Nepalese Government in a later constitutional amendment.⁹ There is no evidence showing the Indian Government supported the blockade, but there is evidence to show that the Indian Government did not do enough to remove the six-month blockade.¹⁰ Immediately, China made a symbolic gesture by sending a dozen fuel tankers to Nepal, paving the way for more Chinese firms to explore new financing possibilities.¹¹

This incident stirred much resentment among the Nepalese elite and the commoners against India, which was seen in frequent anti-India views figuring in various Nepalese newspapers and blogs. It also paved the way for Nepal to consider widening ties with China. China is already believed to be carrying out a strategic encirclement of India, especially in the Indian Ocean region which is widely known as the “String of Pearls.” It has also engaged all of India’s neighbors diplomatically, economically, and militarily—including Pakistan, Bangladesh, Myanmar, Sri Lanka, and the Maldives.

⁸ PTI, “Nepal proposes Constitution amendment to meet Madhesis demands,” *The Hindu*, November 30, 2016, <https://www.thehindu.com/news/international/Nepal-proposes-Constitution-amendment-to-meet-Madhesis-demands/article16729294.ece>.

⁹ Ibid.

¹⁰ Anumeha Yadav, “Is India really behind Nepal’s economic blockade?” *Scroll*, February 04, 2016, <https://scroll.in/article/802653/is-india-really-behind-nepals-economic-blockade>.

¹¹ Avasna Pandey, “Economics and Influence: Chinese investment in Nepal,” The Stimson Center, November 12, 2020, <https://www.stimson.org/2020/economics-and-influence-chinese-investment-in-nepal/>.

Much has been written about these countries, but very little is known about China's influence in Nepal.

Problem Statement

Nepal has shared a long-standing friendship with India for the past seventy years. But in the last decade, there have been comments by the Nepalese government and in Nepalese newspapers/magazines which indicate a drift away from India and towards China. This is changing the regional dynamics of South Asia and seems to be a part of a larger strategy by China.

Purpose of the Study

This study aims to understand Indo-Nepal relations' changing dynamics and their underlying causes, especially concerning China. This study carries out an analysis of how India and China have influenced Nepal using the instruments of national power. This study also tries to answer whether the current drift in the Indo-Nepal relations has been a deliberate attempt of Chinese policies and the future of this relationship. In the end, suitable courses of action have been recommended for India to improve the relationship with Nepal.

Research Questions

The primary research question for the study was "What are the causal factors behind the drift in Indo-Nepal relations?" To further investigate the details of this question, the following secondary questions were also researched:

1. How has the relationship between India and Nepal evolved over the years?

2. What is the relationship between Chinese Communist Party (CCP) and the Nepalese Communist party (NCP)?
3. How has Nepal's increasing economic dependence on India turned into growing insecurity for Nepal, driving it to possibly counterbalance with China?
4. Will China use the BRI and other mechanisms to further its economic interests and leave Nepal debt-ridden to exercise leverage?

Assumptions

This study has been carried out with the literature presently available on the subject. National policies and dynamics are subject to change depending on various factors and cannot be easily predicted. The following assumptions have been made while carrying out the study:

1. No war will occur in the Himalayan region, especially at the borders contiguous with Nepal. If it happens, Nepal will be forced to take a side completely altering the regional dynamics.
2. India and China continue to rise economically in the world, increasing their influence in the region. If either country confronts a significant economic or diplomatic setback, it may cause it to ignore Nepal in its foreign policy likely ending the power competition.

Definition of Terms

String of Pearls Strategy. 'String of Pearls' refers to a geopolitical theory that presupposes Chinese intentions in the Indian Ocean Region (IOR) are intended to

surround India and, ultimately, coerce it. This is a network of Chinese military and commercial facilities in countries falling on the Indian Ocean between the Chinese mainland and Port Sudan.¹²

BRI/ BRF. The Belt and Road Initiative (BRI) also known as the Belt and Road Forum (BRF) reminiscent of the ancient Silk Road, is a massive infrastructure project extending from East Asia to Europe. The plan is two-pronged: the overland Silk Road Economic Belt and the Maritime Silk Road. The two were collectively referred to first as the One Belt, One Road initiative but eventually became the BRI or the BRF. Xi Jinping’s vision included creating a vast network of railways, energy pipelines, highways, and streamlined border crossings, both westward, through the mountainous former Soviet republics, and southward, to Pakistan, India, and the rest of Southeast Asia. Such a network would expand the international use of Chinese currency, the renminbi, and “break the bottleneck in Asian connectivity,” according to Xi.¹³

Debt Trap Diplomacy. A term used by some theorists to accuse China of using predatory economics to grab sovereign territory of poor developing countries which are initially burdened with massive debt. If unsuccessful in paying it back, their strategic assets, such as their resources, mineral deposits, port access rights, and the like, are

¹² Maninder Dabas, “Here is All You Should Know About ‘String of Pearls,’ China’s Strategy to Encircle India,” *India Times*, June 23, 2017, <https://www.indiatimes.com/news/india/here-is-all-you-should-know-about-string-of-pearls-china-s-policy-to-encircle-india-324315.html>.

¹³ Andrew Chatzky and James McBride, “China’s massive Belt and Road Initiative,” Council on Foreign Relations, January 28, 2020, <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>.

targeted by creditors.¹⁴ The countries like Sri Lanka who have allegedly been “victims” of such a policy are unlikely to have been forced by China to mortgage their infrastructure and hence their own bad decisions and inefficiency are equally to be blamed for their failure to keep themselves out of such deals.

Kalapani Dispute. The dispute is mainly because of the varying interpretations of the Kali River’s origin and its various tributaries that slice through the mountains. While Nepal’s claim of the territory east of Kali is based on the Limpiyadhura origin, India says the river takes the name Kali near Kalapani. Nepal claims that a landmass high in the mountains that falls to the east of the entire stretch starting from Limpiyadhura downwards is theirs. On the other hand, India says the border begins at Kalapani, which India says is where the river begins.¹⁵

¹⁴ Mark Green, “China’s Debt Diplomacy,” *Foreign Policy*, April 25, 2019, <https://foreignpolicy.com/2019/04/25/chinas-debt-diplomacy/>.

¹⁵ Kallol Bhattacharjee, “Why are India and Nepal fighting over Kalapani,” *The Hindu*, May 24, 2020, <https://www.thehindu.com/news/national/why-are-india-and-nepal-fighting-over-kalapani/article31660401.ece>.



Figure 1. The Disputed Territory of Kalapani

Source: Anbarasan Ethirajan, “India and China: How Nepal’s new map is stirring old rivalries,” *BBC News*, June 10, 2020, <https://www.bbc.com/news/world-asia-52967452>.

Madhesi. The Madhesi are people of Indian ancestry currently residing in Nepal, particularly the Terai regions in the South. They encompass different caste groups and religions, although the majority are Hindu. What they have in common is their immigrant heritage. This has caused significant conflict between them and the ‘hill people’ to the north. Northerners have questioned the Madhesi’s loyalty to Nepal (as opposed to India),

whereas the Madhesi have accused northern Nepalese people of economic and political domination.¹⁶

Indo-Nepal Friendship Treaty. The 1950 India-Nepal Treaty of Peace and Friendship is acknowledged as the foundation of bilateral relations between the two neighboring countries. It envisages eternal harmony between the two countries and upholds both nations' territorial integrity and national sovereignty, allows for the unrestricted movement of individuals and imports between both states, and practical cooperation on matters of foreign and defense relations. A significant driver for the treaty was China's Communist takeover in 1949 and subsequent occupation of Tibet, which concerned both India and Nepal.¹⁷

LTTE. The Liberation Tigers of Tamil Eelam were one of the many groups that came into existence to fight for Tamil rights in Sri Lanka.¹⁸

Scope

This study covers the time period after India's independence in 1947 with more focus on the dynamics in the past decade when China started becoming a major player in

¹⁶ Lonely Planet, "The Madhesi People," accessed November 14, 2020, <https://www.lonelyplanet.com/nepal/the-terai-mahabharat-range/background/other-features/a57373f3-eb2b-48ad-9652-6e7e9af4e4ab/a/nar/a57373f3-eb2b-48ad-9652-6e7e9af4e4ab/357152>.

¹⁷ Abhishek Mohanty, "The India-Nepal Peace and Friendship Treaty: Need for a Critical Reappraisal," *Synergy: Journal of Contemporary Asian Studies*, (January 06, 2019), <https://utsynergyjournal.org/2019/01/06/the-india-nepal-peace-and-friendship-treaty-need-for-a-critical-reappraisal/>.

¹⁸ Al Jazeera, "The History of the Tamil Tigers," April 28, 2009, <https://www.aljazeera.com/news/2009/4/28/the-history-of-the-tamil-tigers>.

the trilateral relationship. The geo-political situation changed drastically towards the end of the 20th century, and 21st century saw the rise of China. Hence, the events of the previous century have been covered to lay the context for the current relationship. The major portion of this study focuses on the last ten years which has influenced the change in the thought process of the three nations.

Limitations and Delimitations

No research can be called complete as there is always more data to look for and more literature to read. This work is no exception. The study has been conducted under the limitation of time. Since the research was conducted within the period of the Command and General Staff Officers Course, a duration of 10 months, the time available for research was limited. Despite that, the maximum effort has been made to ensure the integrity of facts and make logical deductions.

The author placed the following delimitations on the research:

1. No classified information was researched to be included in the paper. All the data contained in the research is from the open-source literature available.
2. Unlike the literature in English, Nepalese, and Hindi, literature in Mandarin was not explored for this subject. Accessing the literature on Chinese websites is difficult because of the language. There was neither the time nor the resources to translate any of the works published in Mandarin. Amongst the Chinese sources, only the literature written in English language has been reviewed.

Significance of the Study

The drift in the Indo-Nepal relations is an opportunity available to China to further their national interests in the region. Based only on demography, religion, and geography, Nepal and India should be natural friends contributing to each other's growth. Hence, the more recent deterioration in relations between the two countries is because of specific policies and external factors that can and should be controlled. India needs to realize these underlying causes and make amends to its policy, to extend better support to Nepal and bring it back into the fold. If the Chinese influence is allowed to grow further, it may leave Nepal debt-ridden and unable to extract itself from the designs of Chinese coercive diplomacy. This will be detrimental to the security interests of both Nepal and India.

Outside of India, people in Nepal need to understand the fundamental motivations of Indian and Chinese policies towards them. It is no secret that all nations work towards their own national and security interests. Moreover, for the Indian Army soldiers, and especially those serving in the Gorkha Regiment (which has several Nepalese citizens), this study is of particular significance to understand this trilateral relationship and in turn understand each other better.

CHAPTER 2

LITERATURE REVIEW

Introduction

The literature on this subject revolves around Indo-Nepal relations and how Nepal has recently entered China's sphere of influence in the last decade. One of the themes that stood out among the evidence was the chauvinistic behavior of India towards Nepal, since her independence.¹⁹ Despite this fact, Nepalese people traditionally have had a great affinity for India, at least, until the last decade. The results of the 'Insights South Asia - Nepal survey 2011', jointly conducted by the South Asia Democratic Forum (SADF) and Gallup Europe, showed that 84 percent of the respondents had a relatively positive opinion about their giant neighbor.²⁰ Nonetheless, this does not change the fact that the Nepalese government is tending to favor China over India; a significant reason for which has been India's dominating relationship with Nepal.

India's Chauvinistic Behavior with Nepal

In *India in the New South Asia: Strategic, Military and Economic Concerns in the Age of Nuclear Diplomacy*, Jain discusses how China's annexation of Tibet compelled New Delhi and Kathmandu to enter into the 1950 Treaty of Peace and Friendship, which in Nepal's opinion, undermined her sovereignty and autonomy for the sake of defense

¹⁹ Adhikari, "Between the Dragon and the Elephant," 85.

²⁰ Siegfried O. Wolf, "Growing Nepal-China security cooperation and its ramifications for India," *SADF Focus*, no. 35 (January 10, 2018), https://www.sadf.eu/wp-content/uploads/2018/01/35FOCUS.N.35.Wolf_.pdf.

and external affairs. He further discusses how the declaration of ‘zone of peace’ and Nepal’s decision to allow China to link Lhasa with Kathmandu caused the initial decline in relations with India. ‘Zone of Peace’ was the monarch’s way of keeping Nepal non-aligned with either of her neighbors.²¹ The fact that Nepal’s declaration as ‘zone of peace’ annoyed India clearly goes against the latter’s decades-long ideology of non-alignment with either of the superpowers during the Cold War.

Additionally, a 1965 agreement required Nepal to purchase arms from India or from another power, only with India’s permission. In a twist of fate, India stopped the supply of arms to Nepal in 2005, which compelled Nepal to buy arms from China and Pakistan, which was certainly counterproductive to Indian interest. Under the Communist government, in view of the post-Cold War era and because of rapprochement between China and India, Nepal has demanded past treaties to be reviewed. In 1988, to bypass the arms treaty of 1965, Nepal concluded a secret agreement with China for procurement of arms, which New Delhi considered an attempt to seek an independent security and defense policy.²² According to Nepal, she only had to consult India for buying arms passing through Indian territory. In response, India refused to renew the trade and transit treaty in 1989 unless Nepal agreed to address India’s security, economic, and trade concerns. To coerce Nepal, New Delhi cut most of the landlocked country’s vital trade

²¹ B. M. Jain, *India in the New South Asia: Strategic, Military and Economic Concerns in the Age of Nuclear Diplomacy* (NY: I.B.Tauris Publishers), 2010, 84-85.

²² Wolf, “Growing Nepal-China security cooperation and its ramifications for India.”

links to the outside world.²³ That ill-thought decision caused the severest hardships to Nepal's people dependent on all essential goods from India. These treaties were signed again in 1991, and the 1996 revision was a turning point that enabled Nepal to expand its industrial base and attract Indian investment. The author opines that India can no longer keep Nepal a captive of her foreign policy and strategic designs. New Delhi must respect Kathmandu's sensitivities and understand the geo-psychological perceptions of the people who abhor the frequent intervention of India's foreign policy establishment in their internal and external affairs. Additionally, Kathmandu must understand that cultivating Beijing at New Delhi's cost will not serve its interests keeping in mind its geographical location, demography, topography, natural resources, and political system. The author also discusses the border dispute and reveals that 98 percent of the disputes between India and Nepal have been resolved and signed by experts from both countries in 2007, indicating a positive step in the relationship. Currently, only Kalapani and Susta disputes remain, which can only be resolved through political dialogue.²⁴

It is easy to agree with Jain that keeping Nepal captive of India's foreign policy can never be the best way if India is looking forward to a long-term and healthy friendship with Nepal. This is because he gives an idealist view of the trilateral relationship but fails to consider the realist view so important to understand the international relations. The decision of Nepalese monarch to dissolve the democracy and

²³ Barbara Crosette, "Nepal's economy is gasping as India, a Huge Neighbor, squeezes it hard," *The New York Times*, April 11, 1989, <https://www.nytimes.com/1989/04/11/world/nepal-s-economy-is-gasping-as-india-a-huge-neighbor-squeezes-it-hard.html>.

²⁴ Jain, *India in the New South Asia*, 88-89.

take absolute power had forced India to stop the export of military hardware in 2005 and it was condemned by other major powers too, including the USA and the UK.²⁵ Nepal's internal politics did not allow it to take the democratic path, and they had to lean on China for support. By denying the supply of weapons, India did push Nepal towards China, which may be called a diplomatic error by India, but only in hindsight.

The 1989 blockade is a different story and truly a political blunder, as it was clearly an attempt to force Nepal to toe the line of the Indian government of the day. The Indian government had closed 19 of the 21 border crossing points, starving Nepal.²⁶ The blockade was not just a response to Nepal's disagreement on the trade and transit agreement, but against accumulated grievances of India, growing Chinese-Nepal cooperation being one.²⁷ Indian Prime Minister Mr. Rajiv Gandhi had recently visited China in December 1988, and a certain degree of détente had set in between India and China.²⁸ China did not seem to have exploited this situation to get closer to Nepal, which signifies that China did not have any major interest in Nepal at that time; or because in 1989, China itself was under massive international scrutiny due to its handling of the Tiananmen Square protests. The trade and transit agreement signed between India and

²⁵ Krishna Hachhethu, "Legitimacy Crisis of Nepali Monarchy," *Economic and Political Weekly* 42, no. 20 (2007): 1828, <http://www.jstor.org/stable/4419602>.

²⁶ Crosette, "Nepal's economy is gasping as India, a Huge Neighbor, squeezes it hard."

²⁷ Ibid.

²⁸ J. Mohan Malik, "China-India Relations in the Post-Soviet Era: The Continuing Rivalry," *The China Quarterly*, no. 142 (1995): 317-55, <http://www.jstor.org/stable/655419>.

Nepal in 1991, and further revised in 1996 was a step in the right direction towards better accommodating Nepal's interests and correcting the wrong done in 1989. With the chauvinistic behavior in the past, it seems obvious why Nepal would want to get closer to China to keep her options open and play the China-card to get concessions from India.

In "Between the Dragon and the Elephant: Nepal's Neutrality Conundrum," Monalisa Adhikari argues it has been the weakness or non-existence of a coherent foreign policy that has resulted in Nepal's insecurities. According to the author, the only strength of Nepal's foreign policy has been capitalizing on Sino-India rivalry, which may turn Nepal into a proxy battlefield between India and China. She notes that ever growing Indian intervention into Nepal's internal affairs, to counter anti-India and pro-China forces, has caused tremendous consternation among the Nepali population. She also posits that the references (by Indian think tanks or politicians) to the religious-cultural ties between India and Nepal are mere allusions to relegate Nepal's status to that of a "younger sister." She also alleges the Hindu right wing's allusions to *Akhand Bharat*.²⁹ caused existential anxieties within Nepal. Such behavior has led to Nepal being treated as a 'cultural extension of India'.³⁰ Her argument does not look flawed. India maintained a dominating relationship with Nepal and was covered extensively by Jain. Furthermore, Sikkim joining India in 1975 after the fall of monarchy can be reason enough for another Himalayan country to consider India as an existential threat. However, she does

²⁹ A hindi expression which means "Undivided India" and is a reference to the Indian subcontinent before the Mughal invasion which includes entire south Asian region.

³⁰ Adhikari, "Between the Dragon and the Elephant," 84.

undermine the religious-cultural ties between the two countries, which has great potential for maintaining a long term and trustworthy relationship. This aspect needs to be leveraged by the Indian policymakers in such a manner that both countries can respectfully move forward rather than feeling betrayed by each other. Chinese interests, in the region, seem to be primarily driven by economics as it is not ready to invest in any venture which is not profitable enough. An example is the much-hyped 750 MW West Seti Hydropower Project from which China wants to withdraw due to financial infeasibility.³¹

Being a resource-wise better-equipped state, India allows the Nepalese people freedom of movement across the borders and free trade. Adhikari argues that the opportunities India offers to the Nepalese people on the border, undercuts the sovereignty of Nepal. She goes on to cite various instances where India meddled with Nepal's internal affairs. According to her, the Treaty of Peace and Friendship signed in 1950 was founded on an unequal footing as it provided India substantial leverage in Nepal. In 1961, Indian Prime Minister Jawaharlal Nehru protested against constructing a 104-kilometer road from Kathmandu to Kodari on the China-Nepal border, stating security concerns, and not consulting India as a violation of the 1950 treaty. When Nepal concluded the boundary treaty with China and signed the agreement for Kathmandu-Kodari road, India too signed four aid agreements with the King's regime, cementing the belief that playing China against India would force her to react.

³¹ Yubaraj Ghimire, "China eyes exit, Nepal's West Seti hydropower project in jeopardy," *South China Morning Post*, August 30, 2018, <https://www.scmp.com/week-asia/geopolitics/article/2161968/nepals-west-seti-hydropower-project-jeopardy-china-eyes-exit>.

When King Mahendra tried to diversify Nepal's foreign relations and imprisoned the allegedly pro-India Prime Minister BP Koirala, India raised concerns about the trampling of democracy in Nepal, which according to the author, was Indian interference in Nepalese internal affairs. In 1975, when India integrated Sikkim into the Indian Republic, it raised fears of 'Sikkimization' of Nepal. Just as Jain covered in his book, Adhikari also considers the late 1980s as the lowest point in India-Nepal relations. In 1990, India supported the pro-democracy movement in Nepal overtly, but was ready to support the monarchy in exchange for major hegemonic concessions from the king. She alleges that even Nepal's Communist movement had India's tacit support despite the Maoist party's anti-India stand and declaration of Maoists as terrorists by the Indian government.³²

The evidence shows that India kept her strategic and security interests upfront while dealing with Nepal and based its foreign policy to support the same. Even though Adhikari brings out multiple hegemonic actions towards Nepal, she probably went too far when she argues the opportunities provided to Nepalese people by India were meant to undermine Nepalese sovereignty. That was perhaps one of the most significant policy decisions of 20th century in this relationship, which favored India as well as Nepal, especially her people. Even today, almost eight million Nepalese citizens are working and living in India.³³ It is evident that India has preferred to act like a big brother in the Indo-

³² Adhikari, "Between the Dragon and the Elephant," 84-85.

³³ Embassy of India, "About India-Nepal Relations," Government of India, accessed January 31, 2021, <https://www.indembkathmandu.gov.in/page/about-india-nepal-relations/>.

Nepal relationship and has never treated Nepal as an equal. Additionally, the allusions to *Akhand Bharat* (undivided India) and treating Nepal as a ‘younger sister’ is nothing short of humiliation for a sovereign country and understandably explains why the Nepalese people would be disappointed with India.

The story of domination does not end with the Communist Party coming to power in Nepal. When Nepal released its long-pending constitution in September 2015, there was a protest and agitation by the Madhesi people in the southern Nepal region along the Indo-Nepal border (See Figure 1). The Madhesis blocked all the entry points to Nepal from India to pressure the Nepalese government to give in to their demands of more extensive representation in the parliament. In “Who are the Madhesis, Why are they angry?” Yubaraj Ghimire argues the blockade appeared to have India’s official backing. He emphasizes that while the 1989 blockade had positive results, as it gave an impetus to democracy in Nepal, this time the Indian opinion was divided more sharply as this attempted to be promoting an ethnic divide within Nepal similar to what was believed to have been done by India in Sri Lanka in 1983 during the LTTE movement.³⁴

The Indian Prime Minister, Mr. Narendra Modi visiting Nepal in 2014 had snubbed a Nepalese parliamentarian who was unhappy that he did not feature Madhes in his speech to the Nepali parliament. This clearly shows that India had a neutral political stance about Madhesis just a year before. The author remarks that change of stance towards the Madhesi people within a year may have stemmed from domestic

³⁴ Vinod F. Khobragade, “Indian approach towards Sri Lankan conflicts,” *The Indian Journal of Political Science* 69, no. 4 (2008): 911-17, <http://www.jstor.org/stable/41856481>.

compulsions as they share ethnicity with the Indian states of Uttar Pradesh and Bihar, which have a significant representation in the Indian parliament; and 2015 was a state assembly election year in Bihar.³⁵ Nevertheless, in the time of maximum need, when Nepal was trying to recover from the 2015 earthquake, this move antagonized the Nepalese people and their government more than ever before. Arm-twisting a smaller neighbor who is entirely dependent on the more prominent neighbor for essential goods, can only result in friction. This incident is likely to remain etched in the living memory of the Nepalese people for a very long time.

³⁵ Yubaraj Ghimire, “Who are the Madhesis, Why are they angry?” *The Indian Express*, October 05, 2015, <https://indianexpress.com/article/explained/who-are-the-madthesis-why-are-they-angry/>.

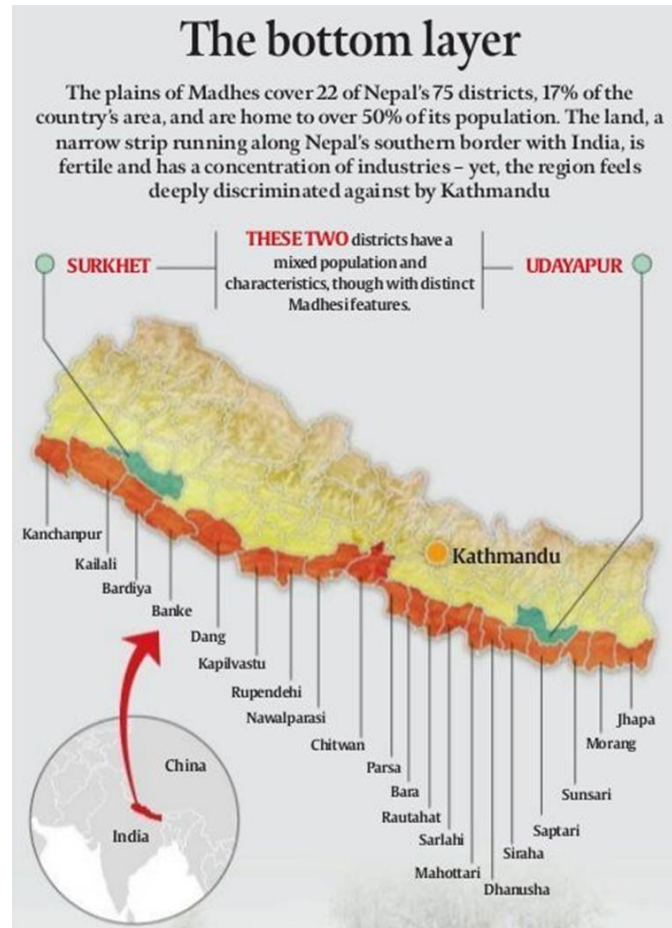


Figure 2. Madhes Region of Nepal

Source: Yubaraj Ghimire, “Who are the Madhesis, Why are they angry?” *The Indian Express*, October 05, 2015, <https://indianexpress.com/article/explained/who-are-the-madthesis-why-are-they-angry/>.

Nepal did not react the way it did in 1989. They quickly reached out to China and received assistance. The Chinese operationalized the Rasuwagadhi-Kyirong crossing to bring fuel trucks. They culminated a bilateral agreement on trade and transit with Nepal, only the second country after India to do so. Anil Sigdel, in his *Asia Pacific Bulletin* article, “Nepal-China Connectivity and the Need for Regional Cooperation,” believes this agreement has a strong symbolic meaning that Nepal has finally escaped India’s sphere

of influence for good. This treaty gives Nepal access to Chinese seaports for third-country trade and Chinese rail lines for the carriage of goods to these ports. The implementation is an issue as Nepal's distance to the Chinese port of Tianjin is four times greater than to Haldia in West Bengal, which Nepal currently uses.³⁶ Despite the problems, Chinese investments in Nepal have significantly increased since 2016.³⁷ This may have resulted from Nepal Prime Minister's visit to China in May 2015.³⁸ and Nepal joining the BRI as one of the first members.³⁹ Sigdel contends that with growing Chinese involvement in Nepal, it will be increasingly hard for India to micro-manage domestic politics in Nepal. In his article, he also accuses India of a failed attempt to topple Prime Minister Oli's government in 2016.⁴⁰

The allegations of meddling in Nepal's internal politics are possibly the biggest cause of the growing disenchantment with India. In recent years, the allegations of pressuring the Nepalese government to change its constitution and trying to topple the so-called pro-China Communist Party government has maligned the image of Indian

³⁶ Anil Sigdel, "Nepal-China Connectivity and the Need for Regional Cooperation," *Asia Pacific Bulletin*, no. 347 (June 9, 2016), https://www.eastwestcenter.org/system/tdf/private/apb347_0.pdf?file=1&type=node&id=35663.

³⁷ Pandey, "Economics and Influence: Chinese investment in Nepal."

³⁸ Andreas Rupperecht, *Flashpoint China: Chinese Air Power and Regional Security* (Houston: Harpia Publishing), 2016, 60.

³⁹ Nishchal N. Pandey, "The Case of Nepal," in *Armed Conflicts in South Asia 2012: Uneasy Stasis and Fragile Peace*, ed. D. Suba Chandran and P. R. Chari (New York: Routledge, 2013), 189-203.

⁴⁰ Sigdel, "Nepal-China Connectivity and the Need for Regional Cooperation."

diplomacy within Nepal. In June 2020, Nepal released a controversial map showing vast swathes of Indian territory in Nepal, now famously known as the Kalapani dispute (see chapter 1 for details). After the event, Prime Minister Oli again accused the Indian government of trying to topple his government.⁴¹ In Sigdel's opinion, South Asia's growing connectivity is inevitable, and it will be in India's and South Asia's interest to come to terms with the changing reality and start dealing with its proud neighbors as sovereign forces to reckon with.⁴²

It seems that Indian policymakers have always treated Nepal as a captive of their geography and tried to impose their will on them in the past. Even though the allegations by the Nepalese Prime Minister cannot be taken seriously, as it is known that the Nepalese Communist Party (NCP) fights the elections on an anti-India rhetoric, it shows that perceptions abound that India is continuing to meddle in the internal politics of Nepal. The most natural course moving forward would be to assist Nepal in becoming a more stable democracy and support them in their need. China is likely to invest in Nepal only until it addresses its economic and security requirements. With increase in Chinese investments, its influence is likely to rise in Nepal, which may give impetus to the Communist party and further cause instability. A truly stable Nepal will be a better bet for India for safeguarding its security concerns.

⁴¹ OpIndia Staff, "Nepal PM Oli accuses India of trying to topple his govt, connects it to new political map which illegally includes parts of Indian territory," *OpIndia*, June 29, 2020, <https://www.opindia.com/2020/06/kp-oli-nepal-pm-blame-india-toppling-government-china-coronavirus/>.

⁴² Sigdel, "Nepal-China Connectivity and the Need for Regional Cooperation."

Relation between the NCP and CCP

Another theme that comes out starkly within the literature is that the Nepalese Communist Party (NCP) has always been on its own and have had no support from the Chinese Communist Party (CCP).⁴³ In fact, it is a misnomer to call them a “communist party” and compare them to the CCP. While both the parties started with similar Maoist ideology, China continued on that path with the Communist Party as the only party in the country, while NCP merged into Nepal’s democratic process as another party in the fray for ruling the country.⁴⁴ Monalisa Adhikari brings out how Chinese policy in dealing with Nepal, has always been pro-establishment. China supported the monarchy before the advent of democracy in 1991. Even when the Maoists broke away from the democratic process and picked up guns against the monarchy, China supported the king and not the Maoists. In fact, in 2005, when India, the US, and the UK stopped supplying arms to Nepal in its fight against the Maoists, China lent a helping hand to the monarchy.⁴⁵ What Adhikari conveniently skirts in her article is the reason why these countries pulled their support from the monarchy; King Gyanendra seized all powers in Nepal in a royal coup in 2005.⁴⁶ None of the world’s democracies could have accepted this move. Still, what could be surprising to some, China supplied weapons to the monarchy indicating they had

⁴³ Adhikari, “Between the Dragon and the Elephant,” 91.

⁴⁴ Olof Lagercrantz, “Power from the Barrel of a Gun,” *The New York Times*, March 16, 1971, <https://www.nytimes.com/1971/03/16/archives/power-from-the-barrel-of-a-gun.html>.

⁴⁵ Adhikari, “Between the Dragon and the Elephant,” 90-91.

⁴⁶ Hachhethu, “Legitimacy Crisis of Nepali Monarchy,” 1828.

no intention of supporting the Maoists, i.e., the ‘Communists’ of Nepal, despite ideological similarities. This goes to show that national interests always trump ideological interests for China.

Adhikari brings out that the rise of the Maoist movement in Nepal did raise ideological issues for China, as the Maoist stance was anti-establishment, contrary to the Chinese view. This may have led the Chinese to remain in the background.⁴⁷ Adhikari fails to consider that when the Maoist movement in Nepal started, Nepal still had the support of various democratic powers in the world. China would not have wanted to hedge its bets on the Maoists to snatch power from the constitutional monarchy. Yet, Chinese actions, even up to 2015, have shown that their stance has always been pro-establishment, be it the monarch, democratically elected government, or the communist party, and never tried to meddle in their internal affairs. China overtly started influencing Nepal’s internal affairs only in 2017 when the current government was elected to power. The two communist parties of Nepal, namely the Communist Party of Nepal (Unified Marxist-Leninist) [CPN-UML] and the Communist Party of Nepal (Maoist Centre) [CPN], formed a coalition government with KP Sharma Oli as their Prime Minister. China was closely involved in helping Nepal to form this coalition.⁴⁸

In “Spread of the Dragon in Himalayan Democracy and its Implications for India,” Alakh Ranjan covers how since 2015, Nepal and China have come closer to each

⁴⁷ Adhikari, “Between the Dragon and the Elephant,” 92.

⁴⁸ Ranjan Alakh, “Spread of the Dragon in Himalayan Democracy and its Implications for India,” *CLAWS*, no. 237 (July 2020), https://www.claws.in/static/IB-237_Spread-of-the-Dragon-.pdf.

other. The author argues Nepal needs both its neighbors and is balancing a tightrope between the two, and it is China's soft power, especially in terms of its investment, which is affecting the tilt. Ranjan discusses how China found a window of opportunity to strengthen relations with Nepal between the NCP winning elections on the 'Nationalism plank,' mainly based on an anti-India rhetoric and the *Madhesi blockade*, which uncovered to the Nepalese people, the vulnerability of their dependence on India. The author barely touches India's chauvinistic foreign policy concerning Nepal over the last 50 years, which has been a primary reason for Nepal to start looking towards China. China has been engaging Nepal in multiple dimensions: economic, cultural, and defense. On the economic front, China's Foreign Direct Investment (FDI) increased almost six-fold from 2016-17 to 2017-18. This is likely a result of Nepal joining BRI and multiple projects getting approved within the framework. This was also the year when the two Nepalese Communist Parties formed the coalition government with the assistance from China. The total trade, between FY 2012-13 and FY 2018-19, also increased by three times even though the trade deficit has only increased in favor of China. Ranjan suggests that India must use its soft power⁴⁹ better to shape its future policy towards Nepal. He provides various areas where India can proactively engage Nepal, such as infrastructure,

⁴⁹ G. John Ikenberry, review of *Soft Power: The Means to Success in World Politics*, by Joseph Nye Jr. *Foreign Affairs* (May/June 2004), <https://www.foreignaffairs.com/reviews/capsule-review/2004-05-01/soft-power-means-success-world-politics>. The author defines "soft power" as the ability of a country to persuade others to do what it wants without force or coercion (hard power).

hydroelectricity, trade, industries, and healthcare which has become very important during the ongoing pandemic.⁵⁰

Even though Ranjan focuses on how India can lure Nepal back to her through investments and helping her improve her medical infrastructure during the COVID pandemic, his suggested strategy lacks the biggest thing Nepal needs from India, recognition of her sovereignty and independence regarding its internal affairs. Until India disavows such coercive tactics, no amount of investment will improve India's image among the Nepalese people. Allowing Nepal to follow an independent foreign policy would be the best foot forward for India in enhancing relations with Nepal. This has to be done in conjunction with use of soft power in terms of people to people contact, investments in infrastructure development and providing economic opportunities to people, so that Nepal can stabilize as a country and is able to be a strong partner and a true friend of India.

In "Growing Nepal-China security cooperation and its ramifications for India," Wolf concurs that the victory of the NCP in the 2017 elections was not due to the support or influence by the CCP, but rather effective organizational structure and party discipline of the left-aligned parties at the grass-root level.⁵¹ Nevertheless, immediately after the left parties secured majority of the seats in elections, China dispatched Guo Yezhou, a Vice Minister of the International Department of the CCP, to get the two main

⁵⁰ Ranjan, "Spread of the Dragon in Himalayan Democracy and its Implications for India."

⁵¹ Wolf, "Growing Nepal-China security cooperation and its ramifications for India."

communist parties of Nepal to form the NCP.⁵² This marked the start of direct Chinese interference in Nepal's internal affairs. Multiple incidents have occurred recently where China sticks its nose into Nepal's internal business. In 2019, some senior NCP leaders, led by Pushpa Kamal Dahal 'Prachanda,' demanded Prime Minister Oli's resignation over mishandling of the coronavirus pandemic and going overboard in criticism against India. When the pressure was mounting on Nepal's Prime Minister to step down, Hou Yanqui, Chinese ambassador to Nepal, held separate meetings with the President, Prime Minister, and other senior NCP leaders, including Prachanda to ensure that Oli remains in power.⁵³

In December 2020, when Prime Minister Oli realized he might have to step down, he chose to dissolve the parliament, initiating a political and constitutional crisis in Nepal. In response, China dispatched a four-member team under Guo to hold talks with Nepali President Bidya Devi Bhandari, Prime Minister Kharga Prasad Oli, and NCP leaders Pushpa Kamal Dahal and Madhav Kumar Nepal. In "China wades into Nepal's political crisis," Ramachandran suggests Guo, known to enjoy considerable influence with NCP leaders, had been sent to reunite the divided NCP. The author argues that as China has played an important role in NCP formation, it has started to wield considerable influence over Nepal's policies. Since then, Chinese investments in Nepal have grown

⁵² Sudha Ramachandran, "China wades into Nepal's political crisis," *The Diplomat*, December 28, 2020, <https://thediplomat.com/2020/12/china-wades-into-nepals-political-crisis/>.

⁵³ Ankita Bhandari, "Chinese envoy Hou Yanki meets senior NCP leaders in Kathmandu, shows concerns over Nepal political rift," *Zee News*, July 06, 2020, <https://zeenews.india.com/world/chinese-envoy-hou-yanki-meets-senior-ncp-leaders-in-kathmandu-shows-concerns-over-nepal-political-rift-2293948.html>.

rapidly, ousting India as Nepal's number one investor. Under Oli's rule, Nepal's foreign policy became strongly pro-China and anti-India. His government also released the new map of Nepal which includes parts of Indian territory and had it approved by the parliament (see Kalapani Dispute in chapter 1).⁵⁴ These gains are likely to suffer a setback if the NCP splits, as either of the split parties does not have enough seats to form the government on its own. They will have to take the help of the Nepali Congress, which is considered to be pro-India.⁵⁵ It is interesting to see how, within the last four years, China is trying to control Nepal by meddling directly into her political affairs. From the Nepalese point of view, they are stuck between the devil and the deep blue sea. Under the NCP, Nepal perhaps played the China-card a little too much to escape India's domination, only to find themselves under dominating influence of China. With considerable investments in Nepal, it is possible that China will resort to harsher and more coercive economic measures to make Nepal toe her line, should diplomatic overtures not work.

Interests of Nepal, India, and China

The last theme discussed in the literature review is the interests of the three nations in question. Overall, Nepal seems to be interested in her identity and development, China in securing her investments, reaching the Indian market through

⁵⁴ Ramachandran, "China wades into Nepal's political crisis."

⁵⁵ Nepali Congress is the other major political party of Nepal which is presently the largest opposition party in the House of representatives and the National Assembly.

Nepal, and extending her influence to the whole of South Asia, and India in her security and regional power status.

Nepal wants to feel like an independent sovereign country and pursue her own foreign policies without any fear of retribution from either of her neighbors. Connected to this is their requirement of economic independence. Total trade between India and Nepal in FY 2017-18 amounted to US \$7.82 billion out of which imports amounted to US \$7.39 billion i.e. 95 percent of the total trade. The exports to India were 57.4 percent of Nepal's total.⁵⁶ This shows that there is a huge trade deficit with India but not enough export capacity to offset that. Similarly, exports to China in 2017-18 stood at US\$ 23 million as compared to the total trade of US \$1.73 billion.⁵⁷ This dependence on imports from its two neighbors is bound to give Nepal a feeling of being captive of their neighbors' economic policies.

With a lack of exports and manufacturing, it is understandable that another significant need of Nepal is quality employment for its citizens. Even though the unemployment rate was 1.47 percent in 2020, almost half of the population live below or close to the poverty line.⁵⁸ 18.7 percent people in Nepal live below the poverty line (less than US \$1.9 per day) and an estimated 31.2 percent of Nepalese population live close to

⁵⁶ Embassy of India, "About Trade and Commerce," Government of India, accessed January 31, 2021, <https://www.indembkathmandu.gov.in/page/about-trade-and-commerce/>.

⁵⁷ Ministry of Foreign Affairs, "Nepal-China Relations," Government of Nepal, accessed January 31, 2021, <https://mofa.gov.np/nepal-china-relations/>.

⁵⁸ The Global Economy, "Nepal: Unemployment Rate," accessed January 31, 2021, https://www.theglobaleconomy.com/Nepal/unemployment_rate/.

the poverty line (between US \$1.9 and 3.2 per day).⁵⁹ This is one area where India has been and looks to be more promising for Nepalese people in the future. Approximately eight million Nepalese people live and work in India under the Indo-Nepal friendship treaty 1950.⁶⁰ To the contrary, there does not seem to be enough opportunity for Nepalese citizens to work in China. There is no evidence to show if China extends any such opportunity to the Nepalese people. In June 2019, a group of 44 Nepalese women was duped with an offer of US \$400 a month for a job in China but were paid US \$50 only.⁶¹ It may be a one-off example but certainly does not paint a very good picture for the Nepalese people looking for job opportunities in China.

The biggest interest of Nepal by far is its requirement of infrastructure development projects that would help bolster her economy and provide employment to her people. Hydropower projects, transmission lines, airports, roads, bridges, railways, energy, finance, tourism, post-quake reconstruction, and people-to-people contact are some of the things on Prime Minister Oli's wish list that he expects China to fulfil.⁶²

⁵⁹ Xinhua, "COVID-19 could push nearly one-third of Nepal's population below poverty line: World Bank report," *XinhuaNet*, July 23, 2020, http://www.xinhuanet.com/english/2020-07/23/c_139235741.htm#:~:text=According%20to%20the%20Nepali%20government,to%20falling%20into%20extreme%20poverty.

⁶⁰ Embassy of India, "About India-Nepal Relations."

⁶¹ Tsering D. Gurung, "Nepali women duped and sent to China for work want to return home. Nobody knows how—or when," *Kathmandu Post*, July 11, 2019, <https://kathmandupost.com/national/2019/07/11/nepali-women-duped-and-sent-to-china-for-work-want-to-return-home-nobody-knows-howor-when>.

⁶² Sigdel, "Nepal-China Connectivity and the Need for Regional Cooperation."

Another vital thing Nepal seeks is stable governance. Between 1990 and 2002, when Nepal was a multi-party democracy, the country saw 10 prime ministers come and go. Hopes for political stability rose in 2017-18 as the NCP had a majority. Despite this, PM Oli dissolved the house in December 2020, throwing the country into another constitutional crisis. Related to the internal politics is the interest of various parties to appease their support base using either an anti-India or anti-China stance. Under the pro-China NCP, keeping good on his anti-India stance, PM Oli took several measures that were not received too well with India; like the release of a new map of Nepal showing parts of Indian territory their own.

On the other hand, India's interests in Nepal seem to be mostly driven by the need to remain the influential power in South Asia and regional security relating to China and terrorist organizations. Himalayan states have traditionally been the natural barrier between India and China, even during the colonial period, and it seems India would like that to remain so; hence, India is interested in countering the influence of pro-China forces in Nepal.⁶³ The open border between Nepal and India can be exploited by terrorist networks and is another one of India's primary concerns. In 1999, an Air India plane was hijacked in Kathmandu, which resulted in the release of three terrorists in exchange for the passengers' return.⁶⁴ Counterfeit currency, illicit trade, and smuggling are a few

⁶³ Adhikari, "Between the Dragon and the Elephant," 94.

⁶⁴ Himanshi Dhawan, "ISI backed Kandahar hijackers: Plane crisis negotiator Ajit Doval," *The Economic Times*, July 12, 2018, <https://economictimes.indiatimes.com/news/defence/isi-backed-kandahar-hijackers-plane-crisis-negotiator-ajit-doval/articleshow/56558139.cms>.

places where Nepal has disappointed India.⁶⁵ Indian Maoists possibly getting support from the Nepalese Maoists is another area of concern.⁶⁶

Chinese interests in Nepal seem primarily economic, based on relatively large investments by China in Nepal (given the small size of its economy). While many Indian strategists believe China is interested in India's strategic encirclement,⁶⁷ Xu Liping insists China is only interested in Nepal's welfare.⁶⁸ However, Xu Liping belongs to the Chinese state-backed *Global Times*, and hence, is hardly impartial. As previously covered, China has always been pro-establishment and is likely to remain so in the future to ensure its interests and investments in Nepal are secure. China has some security concerns relating to Nepal, specifically the Free Tibet Movement. As Nepal shares a border with Tibet, and hosts many Tibetans—including many Khampas—these immigrants can fuel protests against China from Nepalese soil. Previously, when the Khampas conducted rebellious activities, they were controlled by the Nepal Army. Tibetan refugees have also not been granted any right to property or citizenship in Nepal,⁶⁹ which was clearly an attempt to please China. It exposes the hypocrisy of Nepalese people who look forward to jobs, citizenship, and refuge everywhere outside of

⁶⁵ Adhikari, "Between the Dragon and the Elephant," 94.

⁶⁶ Wolf, "Growing Nepal-China security cooperation and its ramifications for India."

⁶⁷ Adhikari, "Between the Dragon and the Elephant," 91.

⁶⁸ Xu Liping, "India should be more open for Sino-Nepalese cooperation," *Global Times*, December 26, 2016, <https://www.globaltimes.cn/content/1025743.shtml>.

⁶⁹ Adhikari, "Between the Dragon and the Elephant," 90.

Nepal themselves while not taking a stand for persecuted Tibetan refugees. China also wants more active support of its “One-China” policy from Kathmandu.⁷⁰

Chinese security interests include expanding its sphere of influence to all of Asia. As per Adhikari, its traditional sphere of influence has always been South East Asia.⁷¹ Many pundits have argued China is pursuing a “string of pearls” strategy to encircle India, but others consider it less concrete than that. The fact is that the Chinese government or Chinese enterprises run the Gwadar port in Pakistan, own Hambantota port on lease in Sri Lanka, and have invested heavily in Kyaukpyu port in Myanmar, raising debt concerns in the country.⁷² If this is part of their strategy, keeping a hold on Nepal can only further solidify this development. Such a presence clearly shows China’s intent of expanding its influence to the whole of South Asia.

As stated earlier, China’s economic interests in Nepal can mainly be traced back to 2015-16. Immediately after the devastating 2015 earthquake, China pledged approximately 483 million dollars for reconstruction. In 2016, China signed a trade and transit agreement (TTA) with Nepal, becoming only the second country to do so. Subsequently, Nepal joined the ambitious, trillion-dollar-plus BRI in 2017. Nepalese leadership sees an unprecedented opportunity for economic growth with Chinese

⁷⁰ Wolf, “Growing Nepal-China security cooperation and its ramifications for India.”

⁷¹ Adhikari, “Between the Dragon and the Elephant,” 90.

⁷² Kanupriya Kapoor and Aye Min Thant, “Exclusive: Myanmar scales back Chinese-backed port project due to debt fears – official,” *Reuters*, August 02, 2018, <https://www.reuters.com/article/us-myanmar-china-port-exclusive/exclusive-myanmar-scales-back-chinese-backed-port-project-due-to-debt-fears-official-idUSKBN1KN106>.

investments. The TTA allows Nepal to use Chinese rail, road, and port infrastructure for third-country trade, ending India's monopoly.⁷³

All in all, China has invested about US \$1 billion in Nepal in various projects including road and hydropower. Pandey in "Economics and Influence: Chinese investment in Nepal" explains the Chinese investments can be divided into state and non-state-owned enterprises. The state-owned enterprises generally invest in critical infrastructure projects like hydropower and road construction, contributing to image building, whereas the private companies are usually investing in the micro-enterprises like tourism and cement. She says China is keen to invest in the hydropower projects in Nepal to create a relationship of dependency so that resources flow from the peripheral country to the wealthier.⁷⁴

From China's strategic perspective, making Nepal dependent makes certain sense; from Nepal's vantage point though, the investment is a godsend for them, and little else matters. What Nepal needs right now is strong infrastructure to generate quality employment for the people, and bring stability to the country with prosperity. These construction projects by themselves have a massive potential to generate employment, unless it goes against the agreement within BRI, where only Chinese workforce have been seen to be employed in some of the projects executed elsewhere.⁷⁵ Furthermore,

⁷³ Pandey, "Economics and Influence."

⁷⁴ Ibid.

⁷⁵ Nyshka Chandran, "China can make its Belt and Road project more successful if it taps locals, experts say," *CNBC*, September 14, 2018, <https://www.cnbc.com/2018/09/14/china-must-do-more-to-tap-locals-in-belt-and-road-initiative-panel.html>.

China is likely to deliver the projects faster than India due to its expertise in construction and is an unambiguous sign that India is not the only option for Nepal in terms of investment. For China, economics will remain the primary concern, and it will not invest in any financially non-viable projects, shattering a few unrealistic dreams of the Nepalese government.

In “The BRI, Nepal’s Expectations, and Limitations on Nepal–China Border Relations,” Uddhab Prasad Pyakurel gives a brief overview of the economic dimension in play between the two countries since Nepal joined the BRI. While outlining the BRI plan, China did not regard Nepal as a major participant or even mentioned it in the initial seven land and maritime corridors. He argues that if the Chinese strategy were to increase its foothold in the region, it would have included Nepal from the start. This goes against the argument that Nepal is included in the Chinese String of Pearls strategy. Within Nepal, two factors have helped to create popular support for the BRI. First, Nepal has a strong impression of China as a benevolent neighbor; second, by again blockading its small, landlocked neighbor just as it was finally adopting a new constitution in 2015, India contributed to pro-Chinese sentiments in Nepal.⁷⁶

Pyakurel highlights why China cannot fulfill the Nepalese people’s expectations entirely regarding economic independence and freedom from regional hegemony. Due to China’s “hyper-sensitized” security concerns, it has been placing limitations on connectivity. Kodari highway, a life-line to more than a dozen Nepalese districts, was

⁷⁶ Uddhab Prasad Pyakurel, “The BRI, Nepal’s Expectations, and Limitations on Nepal–China Border Relations,” *Issues & Studies: A Social Science Quarterly on China, Taiwan, and East Asian Affairs* 55, no. 3 (September 2019): 1-21, <https://ur.booksc.org/book/77351779/2c6e70>.

closed by China, and the locals were shifted away from the border, citing earthquake reconstruction. This highway was necessary for access to cheap garment products and the import of construction material. The Tatopani border faced a similar situation where Nepal was looking for a trade resumption, while China seemed reluctant. These border points were closed by China due to alleged security concerns, which started when, in 2008, a large number of Tibetan refugees held anti-China protests in Nepal. The border point opened after much effort by the Nepalese government and after conceding to various demands laid down by the Chinese.⁷⁷ It almost seems like the Indian domination is now replaced by Chinese hegemony with the increasing influence. Tatopani border point opened briefly in May 2019 to close again in January 2020 due to the coronavirus pandemic. It has been opened and closed intermittently throughout 2020, and the Nepalese have not been able to reap the benefits as promised by the trade and transit agreement between the two countries. Locals staged a protest in December 2020 against the undeclared Chinese blockade, reminiscent of similar blockades placed on the Indo-Nepal border in the past.⁷⁸ The author concludes the low quantity of goods flowing through the China-Nepal border crossings since the signing of TTA, and Chinese failure

⁷⁷ Pyakurel, “The BRI, Nepal’s Expectations, and Limitations on Nepal–China Border Relations,” 1-21.

⁷⁸ Khabarhub, “Locals protest against China at Tatopani checkpoint for imposing ‘undeclared blockade’,” December 27, 2020, <https://english.khabarhub.com/2020/27/152085/#:~:text=The%20checkpoint%20shut%20down%20after,opened%20unilaterally%20on%20April%209>.

to implement its agreements, have shown the Nepalese people that China is not an alternative to India.⁷⁹

The other aspect of BRI is the amount of debt that Nepal can handle. In “Chinese Investments in Nepal in the Context of BRI,” Prof Hari Bansh Jha outlines how the proposed projects under BRI are very difficult for Nepal to afford. For instance, the railway project proposed to connect Tibet with Kathmandu is approximated to cost US \$8 billion, equivalent to one-third of Nepal’s GDP. As per one of Nepal’s daily newspapers, *The Kathmandu Post*, there are a total of thirty-five projects identified by the Nepalese government under BRI. Estimates are that these projects would cost Nepal US \$10 billion. There are multiple challenges with building rail infrastructure in Nepal, including rugged terrain, cost feasibility, maintenance, and opening Tibet to tourism. Other impediments to BRI implementation in Nepal include China’s own resource crunch, environmental concerns, and India’s efforts to counter Chinese investment.⁸⁰

China may not have planned to get Nepal under an unpayable debt, and is showing positive intent until now, but Nepal needs to tread carefully and ensure that they do not bite more than they can chew. There are examples of Hambantota port in Sri Lanka, now under a 99-year lease to China, and Gwadar port in Pakistan being operated tax-free for 23 years by a Chinese company, both due to non-repayment of debt, to learn

⁷⁹ Pyakurel, “The BRI, Nepal’s Expectations, and Limitations on Nepal–China Border Relations,” 16.

⁸⁰ Hari Bansh Jha, “Chinese Investments in Nepal in the context of BRI,” Vivekananda International Foundation, October 11, 2019, <https://www.vifindia.org/article/2019/october/11/chinese-investments-in-nepal-in-the-context-of-bri>.

lessons from.⁸¹ Nepalese policymakers may not be missing these realities in South Asia but the ruling party's anti-India sentiment and domestic compulsions may force them to take such a step.

Conclusion

India and Nepal have been in a love-hate relationship for the last 70 years with considerable Indian chauvinism. India could not capitalize on her use of soft power with Nepal, while the use of hard power kept pushing Nepal away. China maintained a safe policy with Nepal and never really attempted to influence the Indo-Nepal relations. With the heavy investment in the BRI since 2017, Chinese interests have increased manifold in the region, and it is taking appropriate steps to ensure its safety. At the same time, China is now using a mix of hard and soft power to keep Nepal under her influence, slowly starting to call the shots in Nepalese internal politics. Nepal being a land-locked country, has to play it safe between the two countries. Years of being under Indian domination has developed a sense of dislike against Indian policies among the Nepalese people, and China seems to appear like a huge opportunity to them. Nepal will have to maintain a delicate balancing act and ensure that she keeps her national interests in focus while dealing with her two neighbors because it is clear that China is not an alternative to India.

⁸¹ Tara Kartha, "Debt-ridden Pakistan government hands free rein of Gwadar Port to China, country to army chief," *Firstpost*, October 10, 2019, <https://www.firstpost.com/world/debt-ridden-pakistan-government-hands-china-free-rein-of-gwadar-port-and-nation-to-army-chief-7476191.html>.

CHAPTER 3

RESEARCH METHODOLOGY

Introduction

The purpose of this chapter is to describe to the reader how the methodology has been applied in the research. This study is focused on understanding the changing dynamics of Indo-Nepal relations and its underlying causes, especially as they relate to China. This study further tries to find the obstacles in improving the relations with Nepal and how we can remove them.

Methodology

The study focuses on answering questions in the ever-changing realm of international relations. Collection of data in terms of numbers like amount of foreign aid, investments, and number of diplomatic exchanges may assist in understanding some dynamics of this relationship but is not the definite way to address such a research. Hence, this study uses the qualitative method of document analysis to answer the research questions. The starting point for this research was gathering the existing literature on the interplay of the three countries. The data was collected keeping the research questions in mind.

This data was further analyzed using the problem-solving framework of operational design. As described in JP 5-0, in this framework, the following four questions need to be answered:⁸²

1. Where are we in the strategic and operational environment?
2. Where do we want to go in the strategic and operational environment?
3. What are the primary operational problems we must solve that will enable us to achieve the end state?
4. What essential actions must we take that will resolve the primary problems and lead to achievement of desired end state conditions?

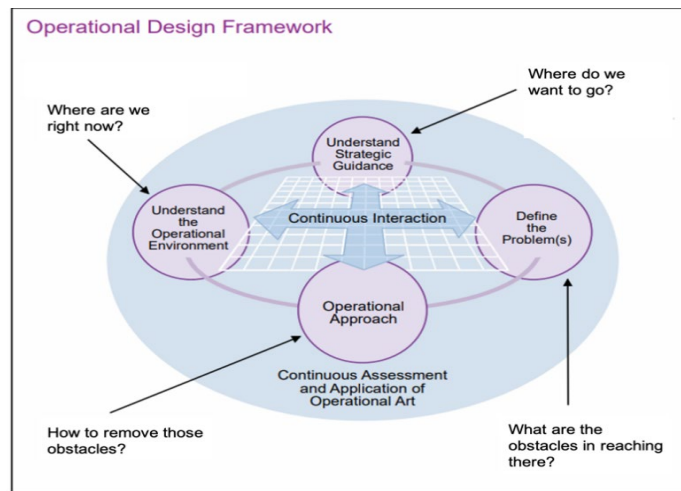


Figure 3. Operational Design Framework

Source: Adapted from Joint Chiefs of Staff, Joint Publication 5-0, *Joint Planning* (Washington, DC: Joint Chiefs of Staff, 16 June 2017), IV-7, https://www.jcs.mil/Portals/36/Documents/Doctrine/pubs/jp5_0_20171606.pdf; edited by author.

⁸² Joint Chiefs of Staff (JCS), Joint Publication (JP) 5-0, *Joint Planning* (Washington, DC: Government Printing Office, 16 June 2017), IV-7, https://www.jcs.mil/Portals/36/Documents/Doctrine/pubs/jp5_0_20171606.pdf.

This will give us the possible operational approaches which will then be vetted against the Suitable, Feasible, and Acceptable model for judging any strategy by Art Lykke. He defines them as follows:⁸³

1. Suitable—will its attainment accomplish the effect desired (relates to objective)?
2. Feasible—can the action be accomplished by the means available (relates to concept)?
3. Acceptable—are the consequences of cost justified by the importance of the effect desired (relates to resources/concept)?

The combined approach towards reaching the desired end state can be aggressive, laissez-faire, or balanced, but each will have its own risk. These will also be laid out, evaluated, and will need to be mitigated for any operational approach to be viable. The study will end with suitable policy recommendations for India for improving relations with Nepal and countering the increasing Chinese influence.

⁸³ Harry R. Yarger, “Toward a Theory of Strategy,” in *Guide to National Security Policy and Strategy*, 2nd ed., ed. J. Boone Bartholomees Jr. (Carlisle, PA: U.S. Army War College, June 2006), 107-113.

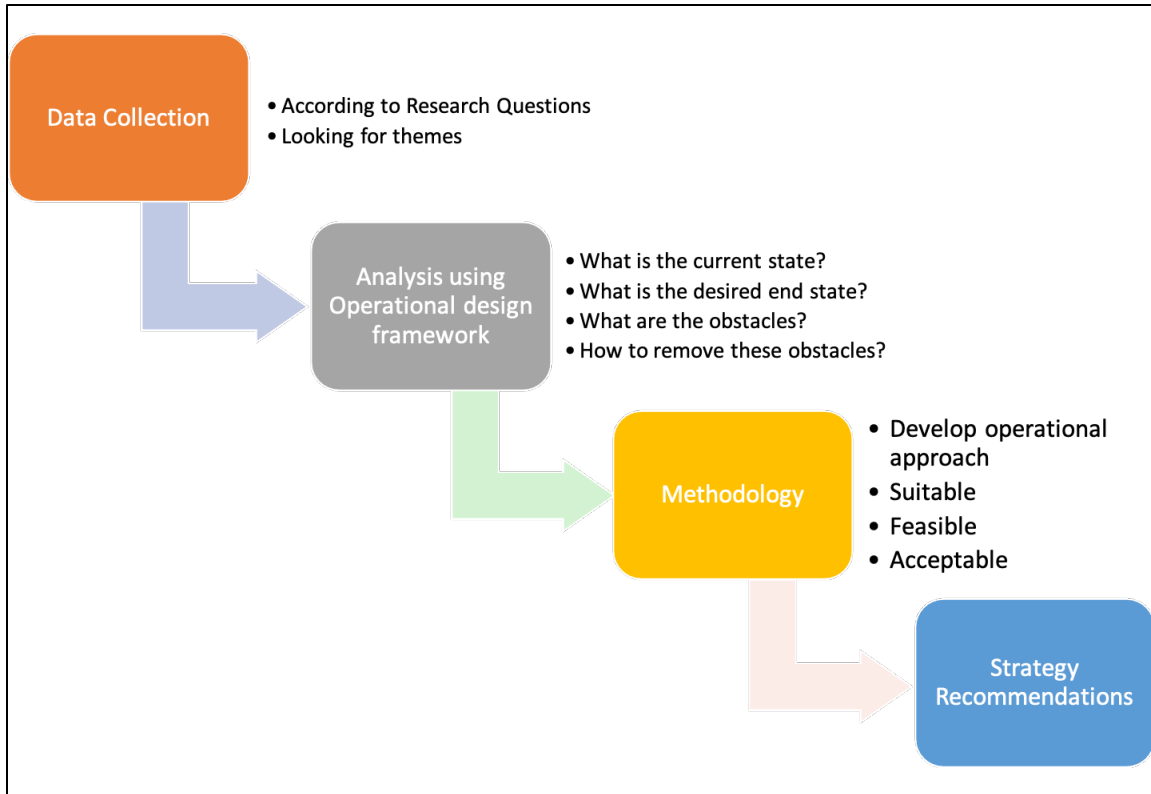


Figure 4. Methodology Chart

Source: Created by author.

CHAPTER 4

ANALYSIS

Introduction

This chapter uses the operational design framework explained in chapter 3, in light of the secondary research questions, to find possible solutions to the issue. Several operational approaches have been measured against the criteria of suitability, feasibility, and acceptability to suggest viable strategy for India in dealing with Nepal.

Current State

Nepal is a landlocked country sharing borders only with India and China and it is one of the least-developed countries.⁸⁴ Its dependence, on either or both India and China, is inevitable. At present, its government seems to be moving closer to China while attempting to balance relations with India. From the Indian perspective, China is slowly encroaching into the Himalayan buffer between India and China. Nepal was a buffer state between British India and Imperial China before 1947, as was Tibet. With annexation of Tibet, the Chinese were at India's backdoor. It is safe to assume that independent India wanted to maintain the buffer with China and, therefore, aggressively pursued enhanced influence in all Himalayan countries, including Nepal.

Since 2015, the diplomatic relations between India and Nepal are deteriorating. Nepal feels pressured by India and wants to pursue an independent foreign policy.

⁸⁴ Sudhir Shreshtha, "Is Nepal Ready to Become a Developing Country?," *The Diplomat*, June 13, 2018, <https://thediplomat.com/2018/06/is-nepal-ready-to-become-a-developing-country/>.

Evidence has shown that over the last 70 years, Nepal has been under constant domination by the Indian policy makers who retaliate against any attempt to bypass India in their foreign policy. The 2015 Madhesi blockade caused a major dent in the relationship. The scars had not healed when Nepal released a new map showing parts of territory claimed by India as their own. Further, multiple allegations by the Nepalese Prime Minister that the Indian government has been conspiring to overthrow his government is not helping the relationship. The Nepal government is in a precarious situation with the Nepalese Communist Party (NCP) getting invalidated by the order of the Supreme Court in March 2021.⁸⁵ Neither of the split communist parties holds a majority in the House of Representatives and are wooing other parties to form a coalition.

Since the NCP came to power in 2017, China has significantly ramped up its influence operations in Nepal. As a result of increasing investment in Nepal since she joined the BRI, China seems to be having a big impact on Nepalese policy makers.⁸⁶ The communist parties of Nepal also ideologically align with the Chinese Communist Party, and China seems to be exploiting this connection. Chinese ambassador Hou Yanqi has called meetings of senior party members, and the Chinese ministerial team, under Guo's supervision, to ensure cohesion within the communist parties, are further clear evidence of increased influence. The opposition party, the Nepali Congress, is considered pro-India

⁸⁵ DT Next, "Nepal's ruling NCP splits into 2," March 09, 2021, <https://www.dtnext.in/News/TopNews/2021/03/09114102/1279612/Nepals-ruling-NCP-splits-into-2.vpf>.

⁸⁶ Gopal Sharma and Rupam Jain, "China holds sway in Nepal as rival communist factions create crisis," *Reuters*, December 31, 2020, <https://www.reuters.com/article/us-nepal-china-politics/china-holds-sway-in-nepal-as-rival-communist-factions-create-crisis-idUSKBN295004>.

and is possibly wary of Chinese intentions, visible in the party's accusations of a recent land-grab by China in Nepal.⁸⁷ The number of high-level (cabinet ministers and above) diplomatic engagements by Chinese and Indian leaders with senior Nepalese leaders, over the last five years, have been depicted in figure 5. Until 2016, the Nepalese would balance the tightrope by having an equal number of engagements on both sides. Since 2017, the engagements have increased in the favor of the Chinese, and that trend is continuing.

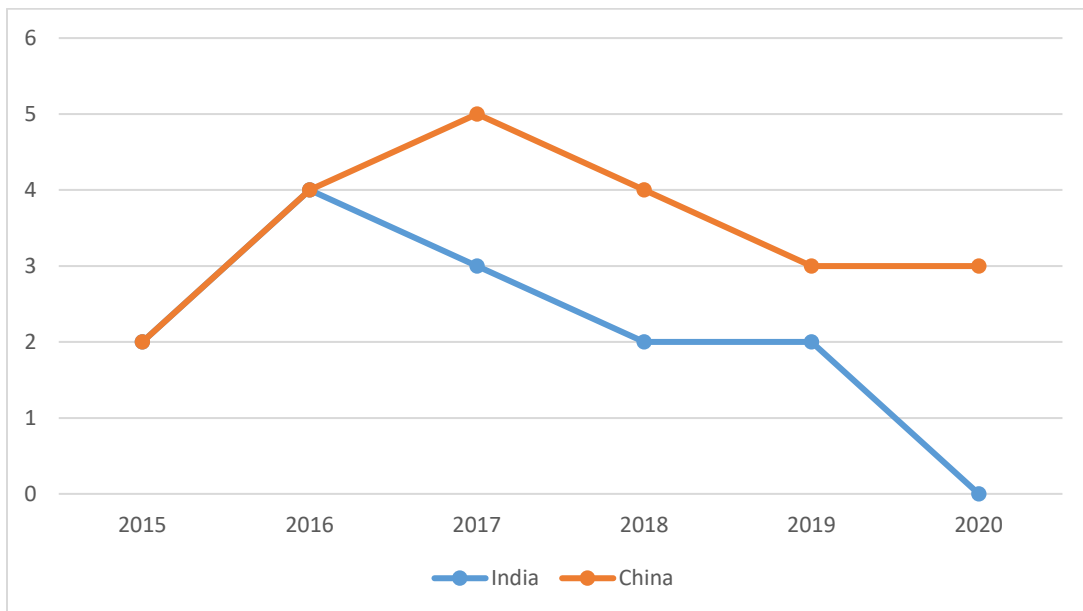


Figure 5. Indian and Chinese High-Level Diplomatic Engagement with Nepal, 2015-2020

Source: Created by author.

⁸⁷ South Asia Monitor, “Nepali Congress-led team reports Chinese encroachment in Humla,” October 12, 2020, <https://southasiamonitor.org/china-watch/nepali-congress-led-team-reports-chinese-encroachment-humla>.

Despite the setbacks, India and Nepal are trying to maintain a positive relationship based on the Indo-Nepal Friendship Treaty, 1950, but Nepalese government has been demanding its revision and a growing anti-India sentiment is visible. When the Nepalese government released the new map of Nepal showing parts of Indian territory as Nepalese, huge rallies came out in support of the decision. Some sources also allege that this move may have been instigated by China, but without any concrete evidence.⁸⁸

On the other hand, approximately eight million Nepalese citizens continue to work in India, including in the Gorkha regiment of the Indian Army.⁸⁹ A large section of retired soldiers also draw a pension from the Indian government. Many Nepalese youth are getting educational and employment opportunities in India. More than six million citizens of India speak Nepalese as their mother tongue.⁹⁰ A number of them continue to maintain their old ties with Nepal. All this positive influence is taking a hit because of the narratives built around the 2015 blockade and the new Nepal map. On the other hand, the Chinese influence is constantly increasing since 2017. The anti-India narrative being fomented by the Nepalese communist government is also possibly steering the public opinion towards China.⁹¹

⁸⁸ Anbarasan Ethirajan, “India and China: How Nepal’s new map is stirring old rivalries,” *BBC News*, June 10, 2020, <https://www.bbc.com/news/world-asia-52967452>.

⁸⁹ Embassy of India, “About India-Nepal Relations.”

⁹⁰ T. B. Subba, “Nepal and the Indian Nepalis,” in *State of Nepal*, ed. Kanak Mani Dixit and Shastri Ramachandran (Kathmandu: Himal Books, 2003), 119.

⁹¹ Harshil Mehtaa, “KP Sharma Oli’s constant anti-India rhetoric is harming India-Nepal relations,” *WION*, July 01, 2020, <https://www.wionews.com/opinions-blogs/kp-sharma-olis-constant-anti-india-rhetoric-is-harming-india-nepal-relations-309904>.

India and Nepal also share substantial military ties; they periodically conduct joint exercises and the Indian training facilities are open for Nepali officers and soldiers; cadets of the Nepalese Army join the National Defense Academy and Indian Military Academy for pre-commission training; Nepalese officers attend all career courses including Defense Services Staff College, Higher Command Course and National Defense College in India. India and Nepal also have a unique tradition of conferring the honorary rank of general to each other's chief of army staff.⁹² India also provides Nepal a large number of weapons and equipment for their armed forces.⁹³ Finally, there is also a small military presence in Nepal – pension paying offices in three places.⁹⁴

Despite the appearance of positive military relations, in 2018, Nepal withdrew from a joint military exercise of the South Asian grouping Bay of Bengal Initiative for Multi-Sectoral Cooperation (BIMSTEC), of which China is not a part. The Indian government was embarrassed, as the exercise was being held at their invitation. Around the same time, Nepal announced they were joining a one-on-one military exercise with

⁹² J. P. Singh, "Indo-Nepal relations: Army Chief Naravane's bridge-building," *Financial Express*, November 12, 2020, <https://www.financialexpress.com/defence/indo-nepal-relations-army-chief-naravanes-bridge-building/2129318/>.

⁹³ Debasis Sarkar, "India and Nepal finalise major arms deal," *The Economic Times*, June 10, 2014, <https://economictimes.indiatimes.com/news/politics-and-nation/india-and-nepal-finalise-major-arms-deal/articleshow/36352406.cms>.

⁹⁴ Embassy of India, "Pension Branch," Government of India, accessed March 29, 2021, <https://www.indembkathmandu.gov.in/page/pension-branch/>.

China showing increased Chinese military influence.⁹⁵ Until now, China has conducted two wargames with Nepal; in 2017 and 2018. In December 2020, Chinese Defense Minister, General Wei Fenghe, visited Nepal to resume the military engagements on hold due to the coronavirus pandemic.⁹⁶ This visit was also possibly an attempt to counterbalance the Indian Army Chief of the Army Staff's visit to Nepal a month earlier.

Economically, Nepal depends heavily on India and China as it is land locked with India on three sides and China to the north. India was the number one investor of FDI in Nepal till 2014 followed by China.⁹⁷ Chinese investment has been steadily increasing over the last five years especially after Nepal joined the BRI. According to a Chinese news agency, in 2019, Chinese investments accounted for 90 percent of the total FDI in Nepal.⁹⁸ Nepalese Economic survey pegs it at a 43 percent of the total FDI, which is still the highest for any country in Nepal.⁹⁹ A major reason for the increase in FDI are the

⁹⁵ Atul Aneja, "Nepal's decision on BIMSTEC drill does not signal pro-China stance: official source," *The Hindu*, September 18, 2018, <https://www.thehindu.com/news/international/nepals-decision-on-bimstec-drill-does-not-signal-pro-china-stance-official-source/article24974322.ece>.

⁹⁶ PTI, "Defence minister of China visits Nepal to bolster military ties," *Business Standard*, November 30, 2020, https://www.business-standard.com/article/international/defence-minister-of-china-visits-nepal-to-bolster-military-ties-120112900759_1.html.

⁹⁷ IANS, "Indian firms biggest investors in Nepal, create 58,161 jobs," *Business Standard*, January 12, 2014, https://www.business-standard.com/article/news-ians/indian-firms-biggest-investors-in-nepal-create-58-161-jobs-114011200401_1.html.

⁹⁸ Xinhua, "Over 90 percent of total FDI to Nepal comes from China," *XinhuaNet*, November 07, 2019, http://www.xinhuanet.com/english/2019-11/07/c_138535703.htm.

⁹⁹ Ministry of Finance, "Economic Survey, 2019-20," Government of Nepal, accessed April 20, 2021, https://mof.gov.np/uploads/document/file/Economic%20Survey%202019_20201125024153.pdf.

projects being executed by China under BRI. There are approximately 35 multi-sectoral projects worth \$10 billion being considered under BRI, which has a great potential of over burdening Nepal with debt that she may not be able to repay, considering Nepal's annual GDP is approximately \$27.5 billion.¹⁰⁰

Desired State

A stable Nepal is the best bet for India to achieve her aim of security in the region. It will be in India's favor that Nepal becomes a stable democracy with strong institutions capable of executing a coherent, long term, and independent foreign policy. She remains a buffer state between India and China by continuing a close relationship with India, and avoiding a large Chinese presence in Nepal. Nepal and India run their foreign policy in sync and pursue a democratic path to progress. Nepal continues to engage China diplomatically but does not allow any interference in her internal politics. On the diplomatic front, Nepalese and Indian government trust each other and treat each other equally. Nepal stops playing the China-card against India, trying to cause a drift in Sino-India relations. Border issues between India and Nepal are amicably resolved through dialog and no unilateral actions are taken by either side.

Nepalese citizens look at India as a regional power in South Asia that is truly their friend. They understand Nepal has its own identity and is not overshadowed by India. They trust in receiving India's support in the time of need and know that she will not take any actions against the interests of the Nepalese citizens. The people of Nepal continue to receive the scholarships, educational, and employment opportunities in India. Nepalese

¹⁰⁰ Jha, "Chinese Investments in Nepal in the context of BRI."

population is free to participate and comment on any political or economic decisions by their government.

India-Nepal military cooperation continues. Nepal is able to balance military cooperation between India and China, and participates in joint exercises with both, to signal an independent foreign policy. There is no Chinese military presence in Nepal. Nepal continues to look forward to buying Indian arms and equipment for its military due to its better quality and affordability, and can bank on India's support in difficult times, for disaster response, economic, or political crisis.

Economically, India assists Nepal in building its capacity for exports and helps her reduce the trade deficit with India and China. Nepal has an estimated 40,000 MW (megawatts) of commercially viable hydro-electric power potential, which is mostly untapped,¹⁰¹ and could be exploited. India invests in the various investment opportunities existing in Nepal in sectors like agriculture, tourism, IT, and infrastructure. India continues to facilitate Nepalese trade from her ports and provides Nepal a better and cheaper alternative to China. Nepal takes only those loans from China that it has a practical capacity of repaying and does not have to mortgage any of its territory to China in a debt-for-equity swap.

Obstacles in Reaching the Desired State

The biggest hurdles in achieving the end state are the internal politics of India, Nepal, and continuous interference from China. NCP is ideologically aligned with CCP

¹⁰¹ US Department of State, "2019 Investment Climate Statements: Nepal," accessed April 01, 2021, <https://www.state.gov/reports/2019-investment-climate-statements/nepal/>.

and was elected to power on an anti-India rhetoric.¹⁰² To live up to their agenda for the elections, NCP is bound to take actions that display an uncompromising stance against India. A few examples are refusing to participate in the military exercise at the request of India, unilateral action of releasing a new map of Nepal jutting into Indian territory, and accusing India of attempting to topple the NCP government.

Indian political parties may take actions to appease the Madhesis when it is time for state assembly elections in Uttar Pradesh or Bihar. In comparison to other ethnicities, the Nepalese population in India is not much, and cannot influence the election results significantly; therefore, Nepal is not on agenda of any national political parties. China knows that it is in their favor to have the communist party at the helm and will continue to influence the NCP. In future elections, NCP may also get monetary and ideological support from China. Regardless of future election results, China will continue to wield power over the Nepalese policy makers with the huge investments it is making.

In addition, India is not good in the game of narratives and counter-narratives due to lack of timely press release and rebuttal by the official sources to the media. A major section of the Nepalese people believe India undermines their sovereignty and treats Nepal like an extension of India. Until this perception changes, Nepalese citizens are bound to blame many of its government's failures on India, and any assistance will be seen as India trying to maintain its big-brother image, which India must try to avoid. Additionally, because the Indian and Nepalese media have the freedom of press, they

¹⁰² Bhadra Sharma, Rajneesh Bhandari and Kai Schultz, "Communist Parties' Victory in Nepal May Signal Closer China Ties," *The New York Times*, December 15, 2017, <https://www.nytimes.com/2017/12/15/world/asia/nepal-election-winners.html>.

may publish opinions which hurt India's national interests in Nepal. By contrast, China controls its state media and is able to send out a coherent message to the population of the three nations. Furthermore, India's past chauvinistic behavior makes it challenging for her to reframe its intention towards Nepal.

Another problem is the lack of opportunities and a very high poverty rate in India itself. This makes it difficult for the Indian government to provide any significant opportunity to Nepalese people without being assailed with charges of disregarding Indian citizens. There is an existing opinion that lesser Nepalese citizens should get recruited in the Gorkha regiment of the Indian Army, a tradition which has continued for more than 250 years.¹⁰³ Indian citizens want the Indian government to resolve their own unemployment issues before offering opportunities for employment to citizens of another state.

Instability in Nepal's government and her incoherent foreign policy makes Nepal unpredictable. Due to no clear majority in elections, the Nepalese head of state, the Prime Minister, changes too often to allow the country to pursue a coherent strategy or foreign policy.¹⁰⁴ For instance, in 2019, Nepal's Foreign Minister announced Nepal's acceptance of the United States' Indo-Pacific strategy in Washington D.C., while the Prime Minister denied it in Beijing. Instead of the Nepalese government clarifying it, the Chinese

¹⁰³ Himalayan News Service, "India to recruit fewer Nepalis in army?," *The Himalayan Times*, November 11, 2020, <https://thehimalayantimes.com/world/india-to-recruit-fewer-nepalis-in-army>.

¹⁰⁴ Office of the Prime Minister and Council of Ministers, "Former Prime Ministers," Government of Nepal, accessed April 05, 2021, <https://www.opmcm.gov.np/en/former-pm/>.

government publicized Nepal Prime Minister's assurances that Nepal "disapproves" of the US-led Indo-Pacific strategy.¹⁰⁵ It is important that Nepal prepares and pursues a strategy conforming to her national interests.

Also, there are a number of obstacles in achieving the economic end state. First of all, it is very difficult to compete with China in terms of money. China is the second largest economy in the world and is ready to invest huge sums of money in South Asia under the BRI. Nepal is keen for China to invest in multiple infrastructure projects which will help Nepal boost her economy and enable them to repay the loans. The danger of this approach is that Nepal jumps into some of these agreements without a proper financial feasibility study, which does not generate enough capital to enable them to repay their loans to China. Such a development would likely force them to compromise their sovereignty, in exchange for debt relief, not unlike Sri Lanka.¹⁰⁶

The phobia of unilateral action by India in terms of blockades on the Indo-Nepal border is another obstacle that will make it difficult for India to achieve the economic end state in Nepal. Nepal will always want to counter balance any Indian investment with a Chinese investment, and will also attempt to diversify outsourcing of its infrastructure

¹⁰⁵ Lok Raj Baral, "Nepal's foreign policy problem," *The Kathmandu Post*, September 16, 2019, <https://kathmandupost.com/columns/2019/09/16/nepal-s-foreign-policy-problem>.

¹⁰⁶ Lauren Frayer, "In Sri Lanka, China's Building Spree Is Raising Questions about Sovereignty," *NPR*, December 13, 2019, <https://www.npr.org/2019/12/13/784084567/in-sri-lanka-chinas-building-spree-is-raising-questions-about-sovereignty>. Sri Lanka has leased their Hambantota sea port to China on a 99-year lease which is being called a "debt-trap" by many observers. It is important to note that it was also Sri Lankan government whose policies led the country to such a situation, and it was not forced upon them by China. In this case, an unstable Nepal government is also susceptible to such decisions.

projects, reducing any influence of Indian strategy in Nepal. In addition to this, India needs to invest smartly and in places where it matters for Nepal, to have the most return on investment. Increasing aids and grants, merely as a reaction to Chinese investments, may not help. India needs to pursue a more pro-active stance where the government plans to invest the money smartly and in line with a long-term national strategy, and not just to offset the Chinese investment.

How to Potentially Remove the Obstacles

As discussed earlier, it is very difficult for India to compete economically with China. India is already invested heavily in Nepal and is still the second largest contributor to her FDI, and hence must fully leverage the investment by making sensible and targeted injections into the Nepalese economy. India will also have to apply a coherent Nepal strategy with a whole-of-government approach in conjunction with considerable economic assistance. The possible options are being discussed in terms of Diplomatic, Informational, Military, and Economic options in the subsequent paragraphs.

Diplomatic Options

The most important need is to publicly acknowledge Nepalese sovereignty and avoid comments by senior leaders which may go down as condescending or overly India-centric. The Nepalese population believes that their government had released the new map of Nepal under pressure from their own people, and not China.¹⁰⁷ As such, the NCP

¹⁰⁷ Biswas Baral, “India Should Realise China Has Nothing to Do with Nepal’s Stand on Lipulekh,” *The Wire*, May 19, 2020, <https://thewire.in/south-asia/nepal-india-lipulekh-china>.Ibid.

thrives on an anti-India agenda and therefore, such an action was not unexpected. Blaming China for Nepalese decisions will neither help to improve the situation with Nepal, nor will it help the Sino-India relationship. One school of thought also says that China does not want to compromise its relationship with India over Nepal.¹⁰⁸ Hence, India should also avoid doing the same in her larger interest of maintaining a peaceful relationship with China. Conceding to the demand to revise the Indo-Nepal Friendship Treaty of 1950 will also go a long way in displaying a genuine interest in the public recognition of Nepal's sovereignty. This is a soft option which is suitable for improving diplomatic relations, feasible in the sense that Indian leaders can do this with little or no difficulty, and will be acceptable to all parties concerned, including China.

In addition, Indian politicians at the national level will have to rise above internal politics and stop the short-sighted strategy of using neighboring countries for strengthening their own vote bank. The Bihar state assembly elections were held in 2015. Some sources allege the ruling party allowed the Madhesi blockade to happen, to gain advantage in the local elections because people of 40 percent constituencies of Bihar were related to Madhesis in Nepal.¹⁰⁹ If true, this is a very narrow-minded action to benefit the local politics with long lasting negative consequences on Indo-Nepal relations. Long term policy has to be decided for cordial relations with strategically important countries which should not change drastically with every election. This strategy is

¹⁰⁸ Baral, "India Should Realise China Has Nothing to Do with Nepal's Stand on Lipulekh."

¹⁰⁹ Muzamil Jaleel, "Why Bihar is tracking a group of protesters on a border bridge," *The Indian Express*, October 04, 2015, <https://indianexpress.com/article/india/politics/why-bihar-is-tracking-a-group-of-protesters-on-a-border-bridge/>.

suitable to maintain the good relationship and should be acceptable to all parties at least in theory. Unfortunately, in practice, it does not look feasible in the current multi-party political system of India, where the leaders of the ruling political party also rally for the local state elections, and can go to any lengths for winning them.

Furthermore, genuine positive actions need to be taken to assist the people of Nepal, even more so when the communist party is in power. If the NCP takes anti-India actions only to appease the Nepalese electorate, and not in the national interest of Nepal, it should be exposed through aggressive and well planned Information operations. India must ensure that she assists the governing party in Nepal, even if it is the communist party, with true interest of the Nepalese people in mind. This strategy is slow but suitable to defeat the anti-India designs of the NCP, is feasible to be executed, and should be acceptable to the people of India and Nepal. The danger of this approach is that comments in Indian media and from Indian politicians will again be treated as a big brother behavior and can possibly alienate the people even more.

Moreover, international support should be mustered against China whenever it interferes in the internal politics of Nepal. Statements from various countries against interventions in the democratic process of Nepal may discourage China from doing it. In conjunction, back-channel or track II diplomacy¹¹⁰ channels must be used to convey to China that interference in Nepalese internal matters is not acceptable to India. This strategy is suitable in the short term, but may not be feasible as major powers of the

¹¹⁰ Montville (1991) defines Track Two Diplomacy as, “unofficial, informal interaction between members of adversary groups or nations that aim to develop strategies, to influence public opinion, organize human and material resources in ways that might help resolve their conflict.”

world have no direct interest in Nepal. Moreover, this may get India and China in direct confrontation and may not be acceptable to both parties.

Information Options

India must continue to provide educational, training, and employment opportunities to the Nepalese people despite her own resource crunch. This will help create a positive image at the grassroot level. Furthermore, this will help build Nepal's human resources which can help bring stability to the nation. India should also invite Nepalese bureaucrats, police officers, and other government officers to attend various courses to assist in capacity building within Nepal. This approach is slow but suitable for increasing influence through soft power, feasible within the resources available, and being a peaceful option, should be acceptable to everyone.

India will also have to ramp up the battle of narratives and counter narratives. People view the world through the lens of their perception and build their own realities.¹¹¹ When India is supporting the people of Nepal through aids or grants, the news should make it to every Nepalese citizen in a very subtle manner. When an action has gone against the image of the Indian government, a counter narrative justifying the act or even a quick apology must make it to the media, before the media houses and think tanks concoct their own opinions. Nobody believed the Indian government's stance that

¹¹¹ Jessica Estrada, "How Your Perception Is Your Reality, According to Psychologists," *Well and Good*, February 07, 2020, <https://www.wellandgood.com/perception-is-reality/#:~:text=%E2%80%9CPerception%20is%20merely%20a%20lens,mean%20they're%20necessarily%20factual.>

the Madhesi issue was Nepal's internal problem in 2015.¹¹² The narratives built around the blockade ended up creating a bad image of India around the world and especially among the Nepalese people. This also paved the way for the Chinese to enter Nepal. This approach is suitable for positively influencing the people of Nepal, feasible with a whole-of-government effort, and should be acceptable.

The Kalapani border dispute must be resolved as soon as possible so that it does not continue to create issues between the two countries. Presently, a very strong narrative is being made against India encroaching into Nepalese territory which will only result in more heartburn, if not acted upon immediately.¹¹³ The claim of Nepal is based on more than a 150 year-old flimsy historical evidence that the name of the Kali River was changed after 1857 by the British to include Nepalese territory in India. At that time India was ruled by the British and Nepal itself was a conglomeration of small kingdoms.¹¹⁴ A committee should be formed with members from both sides which should study the details of the case and lead a peaceful solution to the problem. India and Bangladesh have solved their decades long border dispute recently through implementation of a land swap

¹¹² Deeptiman Tiwary, "Nepal asks India to remove Madhesi blockade, India says its 'your problem'," *The Indian Express*, October 13, 2015, <https://indianexpress.com/article/world/neighbours/nepal-asks-india-to-remove-madhesi-blockade-india-says-its-your-problem/>.

¹¹³ Suresh Sharma, "India should be ready to resolve border issue," *myRepublica*, May 17, 2021, <https://myrepublica.nagariknetwork.com/news/india-should-be-ready-to-resolve-border-issue/>.

¹¹⁴ Adrija Roychoudhary, "Mapping the history of Kalapani dispute between India and Nepal," *The Indian Express*, June 13, 2020, <https://indianexpress.com/article/research/mapping-the-history-of-kalapani-dispute-between-india-and-nepal-6423687/>.

agreement and that may serve as a good example for both countries.¹¹⁵ Outreach from India to resolve the border dispute will be a suitable strategy to show goodwill and put an end to the negative narratives being made in Nepalese media. It is also feasible and should be a completely acceptable course of action to both governments.

An alternative approach to the Kalapani dispute is to take a hard stand and declare the territory to be non-negotiable, on the similar lines of how China handles its approach to Tibet or Taiwan. This will involve deploying a sizable number of active-duty troops in the vicinity of the area and demanding from Nepal to reverse their map. It is a completely suitable approach to solving the dispute, but is not in alignment with the non-aggressive Indian attitude. It is feasible to be executed within the means available but will bring a backlash in the International arena including China. It will definitely not be acceptable to Nepal, but the unilateral change in the Nepalese map should not be acceptable to India too.

Military Options

Both countries need to continue the close relationship between the militaries. India must continue to assist the training of officers and soldiers in Indian military organizations. This will help Nepal in capacity building and help India extend her influence using soft power. Despite calls for discontinuing Nepalese participation in the Indian Army as Gorkha soldiers, India must strive her best to uphold this old connection.

¹¹⁵ Shameema Rahman, “Bangladesh; India: Decades-Long Border Dispute Resolved through Implementation of Land Swap Agreement,” *Global Legal Monitor*, August 11, 2015, <https://www.loc.gov/law/foreign-news/article/bangladesh-india-decades-long-border-dispute-resolved-through-implementation-of-land-swap-agreement/>.

The serving soldiers, as well as the ex-servicemen, wield a huge influence on the society; their children also get tremendous opportunities for primary and higher education, professional learning, and employment; they will become the future of Nepal and will carry the positive image of India back home with them.¹¹⁶ This is a suitable strategy that influences the military positively. The Chinese military does not have any such engagement with Nepal. The author learned from a foreign officer whose officers attend professional military education in China, that the People's Liberation Army (PLA) does not really let them in on any of their doctrinal knowledge. Similarly, on a visit to China as a part of an official military delegation, the author noted the PLA is only interested in image building and there is not much knowledge sharing with other militaries.

India must also take pro-active steps and involve Nepal in frequent bilateral and multilateral joint exercises in South Asia after arriving at a consensus with the Nepalese government. It is important that India does not keep reacting to every action taken by China in South Asia. Nepal will probably have no option other than to counterbalance these moves by conducting more military-to-military contact with China, something that should be expected, but not bother India. In addition, India should supply quality weapons and equipment to Nepal for their armed forces at a more competitive price to counter the influx of Chinese equipment. This strategy will be suitable for continued close military ties with Nepal and countering Chinese military influence, but may not be

¹¹⁶ Vikrant Deshpande, "Gorkhas of the Indian Army and India-Nepal Relations," Manohar Parrikar Institute for Defence Studies and Analyses, February 17, 2017, https://idsa.in/idsacomments/gorkhas-indian-army-and-india-nepal-relations_vdeshpande_140217.

feasible without Nepalese cooperation. It may also irk China and hence may be unacceptable to the Nepalese government, especially the NCP.

Economic Options

Despite all difficulties, the most obvious approach would be to simply invest more money into Nepal as compared to China. Nepal needs more money to improve its infrastructure and establish a manufacturing base to increase its exports. Whichever country invests more money in Nepal in terms of FDI, grants, aid, and loans, can wield a strong influence within the country.

Table 1. Country-wise Foreign Direct Investment in Nepal (as of mid-March 2020)

Country	Number	Total Foreign Investment (Rs.in Ten Million)	Proposed Employment
China	1668	14109.00	79827
India	796	9773.11	73195
UK	200	1547.60	13253
USA	417	1329.20	18818
South Korea	357	1257.40	11898
Singapore	51	451.70	3528
UAE	22	346.50	1877
Mauritius	11	343.50	1055
Canada	47	333.70	2478
Japan	275	322.70	10419
Others	1155	2586.10	50784
Total	4999	32400.51	267132

Source: Ministry of Finance, “Economic Survey, 2019-20,” Government of Nepal, accessed April 20, 2021, https://mof.gov.np/uploads/document/file/Economic%20Survey%202019_20201125024153.pdf.

At present, China is leading with the FDI in Nepal (see Table 1), and is almost futile to match, as China is a larger economy and the major chunk of this investment is under the BRI, China’s multi-trillion dollar project. It is also very difficult to compete

with China even in provision of aid to the Nepalese government. In August 2019, India provided Nepal an aid of Nepali Rupees (NPR) 2.33 billion for reconstruction of houses destroyed in 2015 earthquake.¹¹⁷ Within two months, China surpassed the aid amount, and pledged NPR 56 billion over two years in aid to Nepal to assist her development programs.¹¹⁸

India should continue to provide aids and grants, as well as encourage Indian private and commercial investment in Nepal. This will generate employment in Nepal and will ensure Nepal does not completely depend on China economically. India has already increased the amount of grants to Nepal for 2021-22, budgeting NPR 25.39 billion (INR 15.87 billion) for the same.¹¹⁹ This strategy is most suitable to assist Nepal in building her infrastructure and export capability, as well as counterbalancing her dependence on China. Moreover, it is feasible for India but only to an extent, limited by her own economic condition; however, it is acceptable to all parties concerned.

Nepal needs a great deal of money for its own development. NCP government is keen to take enormous loans from China to fund a multitude of infrastructure projects in

¹¹⁷ PTI, "India provides Rs 233 crore financial aid to Nepal for infrastructure projects," *The Economic Times*, August 21, 2019, <https://economictimes.indiatimes.com/news/politics-and-nation/india-provides-rs-233-crore-financial-aid-to-nepal-for-infrastructure-projects/articleshow/70774519.cms>.

¹¹⁸ PTI, "Chinese President Xi pledges Nepalese Rs 56 billion in aid to Nepal," *The Hindu Business Line*, October 13, 2019, <https://www.thehindubusinessline.com/news/world/chinese-president-xi-pledges-nepalese-rs-56-billion-in-aid-to-nepal/article29673088.ece>.

¹¹⁹ Suresh Raj Neupane, "India raises Nepal grant by nearly 13 percent to Rs15.87 billion," *The Kathmandu Post*, February 01, 2021, <https://kathmandupost.com/money/2021/02/01/india-raises-nepal-grant-by-nearly-13-percent-to-rs15-87-billion>.

Nepal. China is trading carefully and is only investing money after a detailed financial feasibility study.¹²⁰ The Nepalese government needs to conduct a similar study at their end and should only go for the ventures which are productive. Moreover, Nepal needs to figure out their capacity to repay and must accept loans from China only after carefully studying the long-term implications on their country. With the current economic condition, if the Nepalese government over-obligates itself to satisfy their electorate, there exists a possible threat to her sovereignty. With increasing investment, it is only likely that China will also extend a strong influence on the Nepalese government. India needs to assist Nepal in diversifying her loan options, which may be done by extending a line of credit to Nepal or providing loans at reduced interest rates. This strategy is suitable to assist Nepal in countering China's possible predatory economics and is feasible for India. It should be acceptable to the Chinese and Indian governments as offering line of credits has been an acceptable practice between India and Nepal in the past.

The best option for Nepal to pursue economic independence is by generating her own wealth. India can assist Nepal in capacity building with a special focus on agricultural sector, hydroelectricity, and exploitation of natural resources like extraction of minerals. In addition, Nepal needs to reform and improve tax compliance and collection. Some sources indicate that tax evasion is a part of Nepali culture.¹²¹ India can

¹²⁰ Pandey, "Economics and Influence: Chinese investment in Nepal."

¹²¹ Jit Bahadur KC, "Tax evasion in Nepal: An Inquiry," *Pravaha Journal* (2018): 83-95, file:///Users/gauravhridaya/Downloads/20228-Article%20Text-64257-1-10-20180612.pdf.

assist in training the government officers and assisting in automation for better tax compliance, which will generate more funds for the government. India can also assist Nepal in increasing professionalism in banking sector and its automation to increase transparency resulting in lesser scope for corruption and tax evasion. This strategy is suitable to enable Nepal becoming more self-reliant, but may not be feasible without complete acceptance of its necessity by the Nepalese government.

Suggested Strategies for India

Any Indian strategy to improve the relations with Nepal has to be multi-dimensional and a whole-of-government approach. Depending on the time and risk involved in any strategy to improve Indo-Nepal relations, there are three possible options that are available to India. These can be an aggressive approach, a laissez-faire approach, or a balanced approach.

Aggressive Approach

One approach is to make an aggressive attempt to pull out Nepal from getting deeper into the Chinese overtures, before it is too late. This will need India to match the Chinese investments in Nepal, so that Nepal is able to re-think some of their Chinese investments and choose wisely. This approach leverages Nepalese economic dependence on India and will ensure that Nepal understands that India is as important as China in the region for Nepal, if not more. The Nepalese government must be aggressively engaged diplomatically and Indian interests are conveyed clearly. The Indo-Nepal Friendship Treaty must be revised as is being demanded by the Nepal government, continuing to provide opportunities to Nepalese people in India, allowing Nepal to pursue an

independent foreign policy, but in rough alignment with Indian interests in South Asia. Furthermore, India must undertake a carefully planned and aggressive media campaign to counter anti-India forces in Nepal and support pro-India views. This will have to be done very carefully lest the Nepalese people begin to feel that India is feeding them propaganda. The border issue must also be taken up with the Nepal government aggressively, and must be resolved quickly through speedy consultations. At the same time, India must endeavor to muster international support against China to make them rethink their aims in Nepal.

This approach can be very effective when the Chinese investments are still at a level that India can match it economically. This strategy can help improve the relations quickly as India can extend more influence with increasing investment. The problem with this approach is that it may not be feasible to be executed within the means possible, as matching Chinese investments, dollar for dollar, may be very difficult for India. Also, achieving improved relations with Nepal at such a high cost may not be acceptable to the Indian people. This approach involves some major risks too. The Communist government in Nepal is still in its infancy and may not react the way India expects them to. Nepal may still take pro-China decisions due to their internal political instability, and this may get no return on investment for India. NCP's larger aim may be to get closer to the CCP and seek their support if ever the NCP tries to establish a full China-style government in Nepal. China may also ramp up pressure on Nepal to choose Chinese investments over India citing their membership of the BRI. Lastly, this may also involve China in the Indo-Nepal border issue. Moreover, this may lead China to rebut the Indian strategy by increasing their investments and involvement in Indo-Nepal relations. It can be argued

this may push Nepal completely towards China and may also result in Nepal cutting ties with India, but it is impractical for Nepal to do so. In order to diversify her economic dependence and to provide opportunities to her people, Nepal will try to maintain good relations with India.

Laissez-faire Approach

Another approach is to revise the Indo-Nepal Treaty as per the Nepalese government's request, signaling a complete non-intervention in Nepalese affairs, allowing Nepal to follow an independent foreign policy, and assisting her in all her endeavors. Moreover, create a positive image of India by taking actions to assist the people of Nepal despite the government in power like providing all opportunities to Nepalese citizens in India, and extending multiple vacancies to senior government officers, including the military, to take courses in India, helping Nepal build their governance capacity, extending India's soft power influence. Further, India must convince Nepal that she will always act in their best interest and will never resort to an economic blockade for coercion. Moreover, India must pursue to resolve the Kalapani dispute by dialog and setting up a committee in consultation with Nepal. India must assist Nepal in growing their economy by helping her increase her exports by building manufacturing capacity and reducing taxes and corruption. Additionally, India should continue to engage the Nepalese military by extending training opportunities, sharing India's own doctrine, and conducting multiple bilateral and multilateral joint exercises in South Asia.

This strategy will work because Nepal knows it needs to balance the relationship between India and China. With the positive image of India in Nepal, her intentions are

not likely to be misconstrued. Nepal is a weak, land-locked nation and her dependence on both neighbors is inevitable. This approach allows Nepal a lot of freedom to choose, and India's actions will be better accepted by the people when Nepal chooses them. This strategy is slow and very acceptable internationally, but has its own risks. If India will not aggressively attempt to increase her influence in Nepal, China could quickly fill that gap. With that, India could have serious security concerns at her backdoor. Additionally, there is a significant chance of an unstable Nepal making bad decisions and becoming debt-ridden and susceptible to Chinese coercion, possibly resulting in compromised sovereignty. Moreover, without adequate investment, other overtures from India may get ignored.

Balanced Approach

In this approach, unlike the laissez-faire approach, India will have to proactively engage Nepal, investing enough money to be able to compare with China, if not compete. The investments must be smart, injecting money in those projects which matter for Nepal and gives high return on investment. In addition, Indian government continues to engage Nepal diplomatically, increasing the educational and training opportunities for Nepalese students and officials in India. As discussed in the laissez-faire approach, India assists Nepal in achieving economic independence and assists her in mustering the international support for the same. Moreover, the border dispute must be resolved in consultation with the Nepalese government.

This approach is suitable to improve the Indo-Nepal relations and is feasible for the government to be executed within the means available. The investments needed to be done can be spaced over a couple of years and can be incorporated in the annual budget.

This approach should also be acceptable to the Indian government and the Indian people. The only risk it involves is that it may have a slower impact as compared to the aggressive approach. Still, it does not leave as huge a strategic gap as was being left in the laissez-faire approach which could be exploited by China.

Conclusion

Indo-Nepal relations are very volatile at present and one wrong step can take it in any direction. India needs to follow a long-term, coherent strategy with a whole-of-government approach so that actions by any Indian agency are in line with the overall strategy. India can choose to follow any of the approaches available, but must understand the risks involved and must take steps to mitigate those risks.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

Introduction

In light of the data collected in chapter 2, the previous chapter discussed all possible strategy options available to India for improving the Indo-Nepal relations in the context of the changing geo-political scenario in South Asia. This chapter recommends the best approach for India based on the conclusions drawn in the previous chapter.

Summary of Indo-Nepal Relations

India considers Nepal extremely important for her security and hence has tried to ensure that Nepal aligns her foreign policy with India, and this in turn made her heavily dependent on India. China did not actively engage Nepal before 2017 and had only been filling the gaps in the Indo-Nepal relations, but has started playing a significant role ever since. Nepal is a landlocked country and her economy is dependent upon her neighbors. With increasing Chinese investments, the influence is also increasing and it is important that India makes a major change in her Nepal strategy to achieve her interests in the region.

Recommended Approach for India

Keeping in mind the geopolitical situation and China's involvement with Nepal, the best strategy for India to follow will be the balanced approach as discussed in the previous chapter. The balanced approach will need a whole-of-government effort and use all the elements of national power—Diplomatic, Information, Military, and Economic, to influence Nepal positively. Nepal must realize that China cannot completely replace India

due to her geography and people-to-people ties. Using the aggressive approach may help India achieve her end state faster but this may come with a considerable risk. The approach may not get domestic support and Indian government may face a considerable backlash from the people. Taking the laissez-faire approach will eventually mean that India continues to follow the approach it was following before China got actively involved with Nepal. Even though it is the least-cost option, it will create a big strategic gap, which China may attempt to fill very quickly and then it may be too late for India to create any impact.

Pursuing the balanced approach has multiple advantages for India. First and foremost, it will not allow China to create a complete monopoly on investments in Nepal, thus curbing their influence. Furthermore, this approach is more cost-effective as compared to the aggressive approach, even though it may take a couple of years to show results. The aggressive approach may be a quick fix solution, but the gains may be short-term, and it will need India to continue to invest heavily in Nepal year after year. It is clear that competing with China economically is very difficult and maybe impractical, keeping in mind what India actually needs from Nepal. Hence, the emphasis needs to be on other instruments of national power, especially diplomacy and information, but in conjunction with the economic instrument, to make an impact. As a rising power in Asia and a strong voice in the world, India has an opportunity, in Nepal, to set an example in non-coercive diplomacy. It is also time that India builds a more positive image in Nepal

and lives up to her “elder brother” responsibility, opposed to a dominating big-brother attitude, as India claims.¹²²

Recommendations for Further Research

Owing to the limitations of time, there were many aspects of this research which could be more detailed and could aid better recommendations. Keeping in mind that this is an ongoing issue, there are many things that can be studied in a future research:

1. Options for best accommodating the interests in the revision of Indo-Nepal Friendship Treaty.
2. India’s best options for smart and targeted economic investments in Nepal.
3. What does China really want and can expect from Nepal, in the best case and the worst-case scenario.
4. Best projects for Nepal to be executed under BRI, that are both financially viable (for Nepal) and profitable (for China).
5. Joint Doctrine for a whole-of-government approach in India.

Conclusion

India and Nepal share old historical and cultural ties dating back multiple millennia and should be natural friends. Taking a balanced approach to this relationship and helping Nepal grow into a more stable country with increased economic potential will reinforce this friendship. In turn, it will help India overcome her security concerns

¹²² Devirupa Mitra, “Not Big Brother, India is the Elder Brother of Nepal: Sushma Swaraj,” *The New Indian Express*, February 23, 2016, <https://www.newindianexpress.com/nation/2016/feb/23/Not-Big-Brother-India-is-the-Elder-Brother-of-Nepal-Sushma-Swaraj-895721.html>.

from at least one portion of the Himalayas. China is aggressively increasing her influence in Nepal and India needs a major policy change to improve Indo-Nepal relations and counter Chinese influence. India needs to act, and act now, before it is too late.

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