



## CHINA AND ITS PERIPHERIES SECURING NEPAL IN SOUTH ASIA



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Nepal plays an important role in China's South Asia Policy as it forms the entry point for China into the region. China's strategic interests in Nepal is also heightened due to it being the gateway into its restive Tibetan regions, which has been elevated to a national priority in the recent years and with Nepal hosting a sizeable strong Tibetan exile community, stability in Nepal remains a priority for China. The Himalayan state can also be depicted as a playground where the two Asian giants; China to the North and India to the South are competing to increase their influences.

Nepal occupies a unique geo strategic position where real politic is seen to be at constant play and which in many instances has been termed as a win-win situation for Nepal. However, Nepal has mostly tried to maintain a policy of equidistance between China and India,

aptly befitting the analogy of it being a "yam between two boulders".

Historically, China and Nepal shared deep cultural, economic and people to people contacts with the medium being mostly through Tibet. In 1788-92, however a conflict was also seen between the two, resulting in the defeat of the Nepalese in the hands of the Qing, who had been called upon by the Tibetans. There was the signing of the Treaty of Betrawoti which eventually started the quinquennial tribute missions from Nepal to China, which eventually was changed to twelve years and lasted till 1906 (Adhikari, 2010:25).

### I CHINA AND NEPAL A SHORT HISTORY

Understanding the past is important in Sino-Nepal relations as it was on this basis that China laid claims of suzerainty over Nepal, which continued in the early 20th century under the nationalist government. Mao and the Communist's in the 1940s did plan to build a "Himalayan Federation of

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Mongoloid People of Tibet, Nepal, Sikkim, Bhutan and India's North East Frontier Agency" under Beijing which however did not materialise (Singh, 2003:210).

With the formation of the People's Republic of China under the CCP in 1949 and the subsequent takeover of Tibet in 1951, Nepal shared physical boundaries with China. More importantly, the CCP's process of consolidating its rule over Tibet, which is still in process, makes Nepal extremely important for China's strategic considerations. 22 of the 30 counties in the TAR shares borders with Nepal, thus also being economically interdependent (ibid). Hence, Nepal has always been given much priority by China.

Nepal recognised the PRC on 1 August 1955 and both nations signed the Five Principles of Peaceful Coexistence. A year later China's Premier Zhou enlai visited Nepal, who with other things also provided the Nepalese ten million rupees as the first instalment of China's aid to Nepal under the October 1956 agreement (ibid). Subsequently an agreement on trade and discourse was also signed between both the nations which provided Nepal an opportunity to lessen its overdependence on India. In 1960, China signed a border agreement with Nepal resolving much of the issues. In the same year, both nations signed the Treaty of Peace and Friendship, which was touted to be parallel to the historic Nepal India Treaty of Peace and Friendship which was signed earlier.

Since the 1960s, China has provided

Nepal with much developmental aid, seen mostly in the form of infrastructural build-up, roads and highways. This is seen in the construction of the Kathmandu-Kodari road also known as the Arniko highway; named after the Nepalese artisan who in the 13th century had led a delegation of 80 artisans to China. The construction of the road started from 1962 and was completed by 1967, for which economic assistance of US\$ 3.5 million was provided without any conditions or privileges (Adhikari, 2010:36).

This highway linked Kathmandu to Tibet and was seen as a crucial link between Tibet and South Asia. Mao had elaborated the significance of this road to a Nepali delegation in 1964 by saying that "once the roads are open, India may be a bit more respectful towards you" (Singh, 2003). Significantly, the construction of this highway also coincided with the Sino-Indian conflict of 1962.

Apart from the above, other major roads and highways such as the Kathmandu-Bhaktapur highway, the Kathmandu-Pokhara and the Pokhara-Surkhet roads were all built through Chinese assistance. Aid was also provided by China during this period for building numerous small scale and medium sized industries such as the Bansbari Leather and Shoe factory (1965), a Brick and Kiln factory (1965) and also in the construction of the Sunkoshi Hydropower station which was completed in 1972. In 1976 an agreement was signed for the construction of a small dam across the Seti River near Pokhara. Thus, the involvement of the Chinese in tapping Nepal's hydropower capacities started quite early. In 1978, work on the Bhrikuti paper mill at Lumbini was started which was completed in 1982 (Adhikari, 2010:38-40). Even though during the Cultural Revolution (1966-76), the Nepalese monarchy was much criticised by China, aid to Nepal did not stop which reflects the strategic importance of Nepal to China.

Interestingly, the domestic politics in both nations has also much influenced their

*PRC in the initial periods was seen to be sharing a rapport with the monarchy, while India was seen to be close to the pro-democratic Parties. In this context, China had supported King Birendra's 1973 proposal for declaring Nepal as a Zone of Peace, which was much opposed by India.*

diplomatic relationship. PRC in the initial periods was seen to be sharing a rapport with the monarchy, while India was seen to be close to the pro-democratic Parties. In this context, China had supported King Birendra's 1973 proposal for declaring Nepal as a Zone of Peace, which was much opposed by India. There were numerous high level visits by Chinese leaders such as Deng Xiaoping's visit in 1978 and also Premier Zhao Ziyang's visit to Nepal in 1981. During the late 1980's pro democracy protests by Nepal's political parties was initiated which was supported by numerous mainstream Indian political parties who also received tacit support from Delhi. These protests had been further accentuated by India closing its trade routes with Nepal. The economic blockade had been imposed due to major disagreements over trade between the two countries as well as due to Nepal's acceptance of Chinese light arms and other military hardware in 1988 which was seen in contravention to an earlier agreement signed in 1965 with India which had made it the exclusive supplier of defence equipments to Nepal (Singh, 2003:217).

## II CHINA, INDIA, US AND NEPAL SINCE THE 1990S

The economic hardship faced by Nepal also led to more engagement with China during this period to resolve the crisis. However, during this period the PRC was facing much flak from the international community due to the Tiananmen massacres and India had been one of the few major powers to engage China in its aftermath (ibid). Thus Chinese policies towards Nepal during this period were not to wean it away from India.

In the subsequent years, Nepal continued its policy of maintaining equidistance between its giant neighbours. A series of visits were carried out by the Nepalese Prime Ministers to China, where they received financial aid in lieu of a

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reiteration of the One China policy by Nepal and also preventing any anti Chinese activities by Tibetans on Nepal's soil. In 1996, Sher Bahadur Deuba, the then Nepalese Prime Minister visited China, whom the latter saw as having the blessings of the US government. During this visit, a Sino Nepal non government forum was established which emphasised linkages at the grassroots. A grant of 210 million rupees was also provided for the construction of a Buddhist monastery in Lumbini which was in the pipeline and which has been emphasised at present.

This visit of Prime Minister Deuba also coincided with the imposition of the Strike Hard campaigns that had been launched in Tibet with much vigour, with the notion of US intervention in Tibet being strong. The late 1980s had also seen the quelling of unrest in Lhasa and there was rising pressure on China from the West with regard to Tibet. In the same year President Jiang Zemin made a short visit for a couple of hours to Nepal where he was accorded a royal reception. A financial grant of 560 million rupees was provided by China to mark the silver jubilee of the king's accession to the throne (Adhikari, 2010:95). Hence, even during this period and the period to come, atleast till 2005, Beijing remained suspicious of the democratic forces and supported the Royal Palace. A major reason for this can be that under a democratic atmosphere in Nepal, the Tibetans could engage in activities which could undermine China. Also the

democratic setup was seen as having the backing of the United States. This notion was further strengthened by the fact when Nepal veered closer to the US line post 9/11 and the Maoists were dubbed as terrorists.

More importantly, the growing US interest in Nepal alarmed China as it could threaten China's security interest along the Nepal-Tibet border. Hence in 2001, the Chinese Defence Minister General Chi Hao Tian visited Nepal. This was followed a year later by the signing of an agreement between Nepal and China on Trade and other matters especially with concern to the Tibet Autonomous Region. It coincided with China starting the "Open up the West Campaign" which emphasised on the massive economic development of the Tibetan regions. China's Rise has also led to a re-emphasising of its policies towards its immediate peripheries, giving primary importance to Nepal which forms the frontline for its restive Tibetan regions. This has further led to an increase in the diplomatic and political interactions between both nations. In the same year, the then Premier Zhu Rongji visited Nepal who showered investments worth 10 million dollars for the construction of a hospital, a technical institute and the 65 kilometres Rasuwa-Syaphrubesi road linking Nepal to Tibet. In 2001, China was the fifth largest investor in Nepal after India, USA, UK and Norway (Singh, 2003:224). Within ten years it has become the third largest, following India and the USA.

By 2005-06, the People's Republic of China keenly observed as well as moderated its stance on the pro democracy forces in Nepal, which can be deduced from the series of meetings that Chinese diplomats had with political leaders in Nepal. For instance, in 2006 the Chinese State Councillor Tang Jiaxuan as well as Wang Hongwei, a former Major General of the Peoples Liberation Army and a Research Fellow of the prestigious Chinese Academy of Social Sciences visited Nepal, interacting with different leaders across the political spectrum. Wang Hongwei, for instance was instrumental in inviting a number of senior Maoist leaders to China. In 2007, Wang Jiariu, minister in the CCP's powerful International Liaison Department met a number of senior Nepalese leaders as well as requested them for stability in Nepal and also to curb the activities of the Tibetan refugees during the Olympics. With the Maoists coming to power in 2008, a further tilt towards China was observed, with the first state visit of Prime Minister Prachanda being to China. With the Maoist being at the helm of affairs, China increased the grant offered to Nepal to 150 million yuan and also allowed duty free access to 500 Nepalese goods. More importantly, China also identified infrastructural projects for co-operation and showed interest towards Nepal's 83,000 MW of hydroelectricity. During this period, a loan of 187 million dollars was given for the construction of two power plants. In the period of 2008-09, an estimated 38 official delegations from China and 12 Nepalese delegations travelled between both nations, which signify the rise in diplomatic ties between both nations (Ranade, 2013, 183-91). China has also funded the establishment of 35 China Study Centres in Southern Nepal especially near the borders with India to popularise the Chinese language as well as disseminate anti India propaganda. It has also set up the China Radio International's local FM radio station in Kathmandu and a Nepal China Mutual Co-operative Society. The Business School of Kathmandu University also

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opened its Confucian Institute.

It is through the Economic and Technical Co-operation Program between China and Nepal that the former has been able to provide much assistance which has been to the tune of 80 million yuan per year. In 2010, the China Nepal Boda Hospital was built in Kathmandu, which is the largest in the private sector. Furthermore, the Civil Servants Hospital built earlier was also built through Chinese assistance. Since 1956, China has been providing 62 sums of economic aid to Nepal totalling over 2 billion dollars involving 27 major projects (Singh, 2003, 2010-31). Nepal has also been handed down the Zhangmu – Kathmandu optical fibre cable of a 100 kilometres by China which is a new information superhighway. To alleviate the water shortage in Kathmandu, Beijing is also involved in the construction of the Melamchi water supply project which is budgeted at US\$317.3 million. The recent short visit by the former Premier Wen Jiabao to Nepal also marked a new chapter in Sino Nepal ties. He pledged more than US\$140 million to Nepal which included a US\$20 million aid to Nepal's peace process and almost US\$2 million for the country's police forces (Ranade, 2013). A similar visit and financial aid had been provided by the then US Secretary of State Colin Powell in 2002, where the aid was provided much for conflict mitigation programs (Singh, 2003).

Premier Wen in 2012 also signed agreements for investment in infrastructural projects and for a 750 million yuan to be paid over three years. Furthermore, assistance was also promised for building a five billion dollars international airport in Pokhara, three large hydro-power projects and improvements in its rail network. Nepal further reaffirmed on the One China policy and on "extending support to China upholding its sovereignty, national unity and territorial integrity" and also not allowing any anti China activities in Nepal. There were also discussions regarding the Bilateral Agreement on the

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Investment Promotion and Protection Agreement (BIPPA). Nepal's importance to China's strategy can also be gauged from the appointment of Ambassadors appointed to the Himalayan state, with the former Yang Houlan serving in Korea before Nepal. He was replaced by another high profile diplomat Wu Chuntai, who has vast experience in internal security and matters related to Tibet (nepalnews.com, 26 January 2013). What can also be of interest is a study of China's investment and forays made into Africa and comparing it with investments in the Himalayan state of Nepal.

### III COMMERCIAL AND DEFENCE RELATIONS

China also has deep commercial as well as increasing defence ties with Nepal. The two nations share almost 1111.47 kilometres long border along the length of the Himalayan range, and with 18 passes Nepal and China have a total bilateral trade of almost US\$ 1.2 billion with Nepal's exports to China standing at US\$ 14 million. Trade has grown from 11 percent to 19.4 percent within a short period of 2009-2010. In the same year, China offered zero tariffs to 60 percent of Nepal's products. It also has 31 joint ventures with Nepal involving a total investment of 703 million rupees. Of this, 57 percent goes into the service sector, 32 percent goes in the manufacturing sector and the remaining 11 percent

goes to the tourism sector. The Gorkhali Rubber Udyog is the largest Chinese joint venture with an authorised capital of Rs.675 million. The smallest which has a capital of Rs.6.20 million is the United Nursing Home. Around 60 percent of these Joint venture projects are owned by the Chinese National Corporations and State Owned Businesses in China. The Chinese partnership comes to around 45-55 percent while technological knowledge is passed on to Nepal. Since 2002, both nations are trying to open the Kyirong-Rasuwa route which is an easier way of gaining access into Lhasa (Adhikari, 2010). Furthermore, Chinese telecom giants ZTE and Huawei are also engaged in 27 projects such as the latter is involved in the setting up of mobile telephone networks in Kathmandu while ZTE has secured a 50 million dollars turnkey contract for upgrading Nepal Telecoms nationwide mobile phone capacity (Ranade, 2013:185).

The Qinghai Tibet railway which has been operational from 2006 onwards is touted to boost the commercial relations between both nations. There are also plans for the subsequent extension of the Qinghai Tibet railway to the border of Nepal by 2015 which has been predicted to herald a new phase for China Nepal relations (Ranade, 2013). What is also significant in the extension of the railways as well as the construction of all weather expressways in Tibet are the alternative trade linkages it provides to Nepal as well as lesser dependence on India. China has also opened seven dry ports for Nepal inside Tibet. As mentioned earlier,

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China in 1988 had offered military hardware to Nepal, much to the displeasure of India. China's defence supplies and military exchanges escalated after the visit of the Royal Nepal Army chief to Beijing in 1999. By 2005, a major shift was seen in Nepal's weapons procurement policy when it became entirely dependent on China for military supplies, which was earlier enjoyed by India. In 2007, China announced military aid worth US\$ 1.3 million which increased to US\$ 2.6 million with the Maoists coming to power. The same year saw Nepal's Defence Minister Ram Bahadur Thapa being invited to be an observer in the military exercises "Warrior 2008" conducted by the PLA in northern Inner Mongolia Autonomous Region on September 22 (Paul Soren, 2008).

#### IV

#### TIBET IN SINO-NEPAL RELATIONS

The issue of Tibet is an important variable which has strongly influenced Sino Nepal relations. Apart from the historical linkages, the present geo political scenario and the domestic problems that China is facing in Tibet makes Nepal strategically important for Beijing. It is the gateway to China's restive Tibetan regions and with Nepal hosting almost 20000 plus strong Tibetan exiled community, it forms a major security issue for China. Furthermore, till 2006 almost 2900 Tibetans escaped into Nepal enroute to India. With the infamous Nangpala shooting incident in 2006, when Chinese border guards shot Tibetans who were escaping into Nepal, the number of Tibetans escaping into exile has severely dropped to 658 in 2008 and 752 in 2009 (Ranade, 2013:189). More significantly, the Chinese in 2010 also provided training to Nepalese police, border guards and top administrative officials in a bid to check anti China activities in Nepal including the stifling of the flow of Tibetans through their shared borders (Economic Times, 10 November 2010). Nepal has

been strongly viewed as a frontline for China's defences regarding Tibet. Even during the initial periods of China's occupation of Tibet especially after the crushing of the revolt of 1959, Nepal had placed severe restrictions on travel within a belt of 25 miles of the border in compliance with the wishes of China who apparently did not want the world to get any glimpse of the measures undertaken after 1959 (Adhikari, 2010).

However, on humanitarian grounds Nepal then had provided asylum to the Tibetan refugees. This has always been viewed by China as a threat and as a breeding ground for foreign forces to destabilise China's rule in Tibet. This was partly true especially during the late 60's and 70's with the Khampa resistant fighters being based at Mustang; a region in far Western Nepal near the borders with Tibet, from where the resistance fighters carried out attacks on the PLA. China had subsequently placed immense pressure on Nepal to stop the activities of the Khampas, which however ended with the rapprochement in Sino-USA ties in 1972 with Nixon's visit to Beijing. The US establishment and the CIA stopped providing aid to the Khampa Resistance fighters which halted their operations.

With Tibet being termed as a national priority for China and the increasing resistance and protests from the Tibetans inside as well as outside Tibet, a more intrusive policy was followed towards Nepal. This was seen in the Chinese embassy authorities directing the Nepalese officials over the issue of Tibet. With the pan Tibetan protests in 2008 engulfing the plateau and also spilling into countries with strong exiled Tibetan populations such as Nepal, China's policies has been tempered towards stifling any anti China activities occurring in Nepal's soil. Through this, functions organised by the Tibetan community in Nepal ranging from the celebrations of the birthday of the Dalai Lama to implementing their right to vote for their government in exile has been banned by the Nepalese authorities (Wong, New

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York Times, 13 April 2013). As mentioned earlier, vigilance has been increased by both nations at the borders and Nepalese authorities have monitored and harshly prevented the Tibetans from carrying out any activity. China also wanted the closing down of the Dalai Lama's offices in Nepal, which was stopped through the interventions of the United States. Hence, China's major intention in Nepal is to neutralise Tibetan activism and undermine Dalai Lama's influence. Through this, we virtually see an extension of the Chinese state apparatus in Nepal.

The Nepalese authorities have been indulging in practices towards Tibetans which are similar to the ones practiced by China in the Tibetan regions. This was seen especially in the recent case of a self immolation by a Tibetan monk on 13 February 2013, in Kathmandu protesting against China whose body was subsequently not handed over to the Tibetan representatives, a practice which is followed much by the authorities in the Tibetan regions where the self immolations have taken place.

China can also be seen as further wanting to legitimise and strengthen its hold over Tibet through a cooptation of Buddhism in Nepal, seen exclusively through the proposal of a 3 million US dollars area development plan for Buddha's birthplace in Lumbini. This is to be done through the Beijing based and state supported Asia Pacific Exchange and Cooperation Foundation, of which the Maoist leader Prachanda is a vice

Chairman. His recent visit to China on 18 April 2013 was also marked with a pledge of “repressing” the Tibetan refugees who are involved in Free Tibet activities in Nepal (Phayul.com, 25 April 2012).

The local Tibetan refugee communities have been strictly placed under surveillance and closely monitored by the Nepalese authorities, preventing any anti China activity from occurring in Nepal.

In conclusion, China’s policies towards Nepal is multidimensional, with ever increasing interactions with Nepal which on one hand is to safeguard its core national interest of Tibet and also to counter as well as check India’s influence in Nepal. However, on a parallel level China, Nepal and India have also been involved in trilateral meetings to boost trade and commerce.

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